

Columbus Housing Partnership, Inc. and Affiliates dba Homeport

Consolidated Financial Statements and Supplementary Information
with Independent Auditors' Report

December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Columbus Housing Partnership, Inc. dba Homeport
Columbus, Ohio

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Columbus Housing Partnership, Inc. and Affiliates dba Homeport, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 financial position of Columbus Housing Partnership, Inc. and Affiliates as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual affiliates, and it is not a required part of the consolidated financial statements. The NeighborWorks America Capital Fund schedules requested by NeighborWorks America are presented for purposes of additional analysis and are 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 supplementary 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 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 29, 2018

Columbus Housing Partnership, Inc. and Affiliates
 dba Homeport
 Consolidated Statements of Financial Position
 December 31, 2017 and 2016

Assets	<u>2017</u>	<u>2016</u>
Current assets:		
Cash	\$ 6,317,769	5,388,645
Receivables:		
Fees receivable, net (Note 4)	650,000	873,128
Grants receivable	627,028	608,385
Other receivables (Note 4)	609,106	975,204
Prepaid expenses	<u>797,720</u>	<u>772,401</u>
 Total current assets	 <u>9,001,623</u>	 <u>8,617,763</u>
 Property and equipment:		
Office buildings, net (Note 3)	2,515,799	2,532,388
Rental properties, net (Note 3)	22,266,942	22,555,552
Properties held for sale (Note 3)	2,305,817	130,450
Construction in progress (Note 3)	<u>798,040</u>	<u>851,311</u>
 Total property and equipment	 <u>27,886,598</u>	 <u>26,069,701</u>
 Noncurrent assets:		
Restricted cash (Note 7)	8,870,677	9,143,395
Fees receivable, net (Note 4)	557,287	598,254
Notes receivable, net (Note 6)	13,389,861	14,530,748
Related party receivables, net (Note 5)	330,095	244,691
Investments	127,186	113,519
Deposits	11,829	16,306
Investment in unconsolidated entities (Note 8)	<u>9,549,104</u>	<u>10,072,426</u>
 Total noncurrent assets	 <u>32,836,039</u>	 <u>34,719,339</u>
 Total assets	 \$ <u><u>69,724,260</u></u>	 <u><u>69,406,803</u></u>

See accompanying notes to the financial statements.

Columbus Housing Partnership, Inc. and Affiliates
dba Homeport
Consolidated Statements of Financial Position (Continued)
December 31, 2017 and 2016

Liabilities and Net Assets

	2017	2016
Current liabilities:		
Lines of credit (Note 9)	\$ 364,055	250,233
Conditional notes payable, current (Note 10)	1,037,421	1,135,406
Long-term debt, current (Note 11)	2,649,254	1,911,198
Accounts payable	389,061	667,683
Accrued expenses	1,213,188	1,377,770
Accrued interest payable (Note 12)	100,518	102,070
Deferred grant advances	30,000	-
Deferred revenue	196,554	184,044
	<u>5,980,051</u>	<u>5,628,404</u>
Total current liabilities		
Long-term liabilities:		
Security and warranty deposits	340,389	308,162
Accrued interest payable (Note 12)	3,931,686	3,216,464
Deferred grant advances, State of Ohio (Note 13)	557,996	602,663
Line of credit (Note 9)	-	400,000
Conditional notes payable (Note 10)	14,531,162	15,001,697
Long-term debt (Note 11)	27,986,511	26,617,221
Less: unamortized debt issuance costs	(764,171)	(831,906)
Obligation under interest rate swaps (Note 14)	64,909	108,552
	<u>46,648,482</u>	<u>45,422,853</u>
Total long-term liabilities		
	<u>52,628,533</u>	<u>51,051,257</u>
Total liabilities		
Net assets:		
Unrestricted	8,274,576	9,281,637
Temporarily restricted (Note 15)	6,893,090	6,845,848
Permanently restricted (Note 16)	1,928,061	2,228,061
	<u>17,095,727</u>	<u>18,355,546</u>
Total net assets		
	<u>69,724,260</u>	<u>69,406,803</u>
Total liabilities and net assets	\$	

See accompanying notes to the financial statements.

Columbus Housing Partnership, Inc. and Affiliates
dba Homeport
Consolidated Statements of Operations
Years Ended December 31, 2017 and 2016

	2017	2016
Change in net assets from operations:		
Support:		
Government grants	\$ 1,385,221	1,452,071
Contributions (Note 17)	<u>1,101,759</u>	<u>1,354,565</u>
	<u>2,486,980</u>	<u>2,806,636</u>
Revenues:		
Loss on sale of properties held for sale (Note 18)	(769,361)	(717,934)
Development fees	1,287,475	1,127,424
Rental	8,249,216	8,055,256
Fees and other revenue	<u>395,646</u>	<u>438,232</u>
	<u>9,162,976</u>	<u>8,902,978</u>
Total support and revenues	<u>11,649,956</u>	<u>11,709,614</u>
Expenses:		
Program, administration and other	5,227,936	5,504,990
Rental	<u>6,069,801</u>	<u>5,603,955</u>
Total expenses	<u>11,297,737</u>	<u>11,108,945</u>
Change in net assets from operations before interest expense	352,219	600,669
Less interest expense	<u>1,473,245</u>	<u>1,597,500</u>
Change in net assets from operations before depreciation expense	(1,121,026)	(996,831)
Less depreciation expense	<u>1,291,864</u>	<u>1,286,015</u>
Change in net assets from operations before other operating income (expense)	<u>(2,412,890)</u>	<u>(2,282,846)</u>
Other operating income (expense):		
Gain on sale (Note 19)	-	1,979,326
Unrealized gain on interest rate swap (Note 14)	43,643	116,386
Carrying value in excess of fair value of net assets acquired, net (Note 26)	(50,045)	(178,329)
Investment income	232,919	27,931
Equity in income (losses) of unconsolidated entities (Note 8)	462,411	(6,228)
Excess distributions from unconsolidated entities	224,143	-
Bad debt expense	<u>-</u>	<u>(86,532)</u>
Total other operating income (expense), net	<u>913,071</u>	<u>1,852,554</u>
Change in net assets from operations	\$ <u><u>(1,499,819)</u></u>	<u><u>(430,292)</u></u>

See accompanying notes to the financial statements.

Columbus Housing Partnership, Inc. and Affiliates
dba Homeport
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Change in unrestricted net assets:		
Unrestricted net assets, beginning of year	\$ <u>9,281,637</u>	<u>9,519,171</u>
Change in net assets from operations	(1,499,819)	(430,292)
Purpose restricted contributions, released from restrictions	300,000	-
Time restricted grants, released from restrictions	<u>192,758</u>	<u>192,758</u>
Change in unrestricted net assets	<u>(1,007,061)</u>	<u>(237,534)</u>
Unrestricted net assets, end of year	\$ <u>8,274,576</u>	<u>9,281,637</u>
Change in temporarily restricted net assets:		
Temporarily restricted net assets, beginning of year	\$ <u>6,845,848</u>	<u>7,038,606</u>
NeighborWorks America grant, purpose restricted	240,000	-
Net assets released from restrictions	<u>(192,758)</u>	<u>(192,758)</u>
Change in temporarily restricted net assets	<u>47,242</u>	<u>(192,758)</u>
Temporarily restricted net assets, end of year	\$ <u>6,893,090</u>	<u>6,845,848</u>
Change in permanently restricted net assets:		
Permanently restricted net assets, beginning of year	\$ <u>2,228,061</u>	<u>1,878,061</u>
NeighborWorks America grants	-	350,000
Net assets released from restrictions	<u>(300,000)</u>	<u>-</u>
Change in permanently restricted net assets	<u>(300,000)</u>	<u>350,000</u>
Permanently restricted net assets, end of year	\$ <u>1,928,061</u>	<u>2,228,061</u>
Total net assets, beginning of year	\$ <u>18,355,546</u>	<u>18,435,838</u>
Change in unrestricted net assets	(1,007,061)	(237,534)
Change in temporarily restricted net assets	47,242	(192,758)
Change in permanently restricted net assets	<u>(300,000)</u>	<u>350,000</u>
Change in total net assets	<u>(1,259,819)</u>	<u>(80,292)</u>
Total net assets, end of year	\$ <u>17,095,727</u>	<u>18,355,546</u>

See accompanying notes to the financial statements.

Columbus Housing Partnership, Inc. and Affiliates
dba Homeport
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in total net assets	\$ (1,259,819)	(80,292)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,291,864	1,286,015
Amortization of debt issuance costs	72,342	122,356
Loss on consolidation	50,045	178,329
Loss on properties held for sale	769,361	717,934
Gain on sale	-	(1,979,326)
Provision for losses on receivables	279,290	205,615
Equity in (income) loss of unconsolidated entities	(462,411)	6,228
Restricted funding	(240,000)	(350,000)
Amortization of fair value adjustment to long-term debt	-	11,060
Effect of changes in operating assets and liabilities:		
Receivables	324,366	343,164
Prepaid expenses and deposits	177	105,240
Accounts payable and accrued expenses	(586,488)	(369,125)
Security and warranty deposits	(5,472)	8,337
Accrued interest payable	137,728	377,942
Deferred revenue and grant advances	(2,157)	(42,969)
Interest rate swap obligation	(43,643)	(116,386)
Net cash provided by operating activities	<u>325,183</u>	<u>424,122</u>
Cash flows from investing activities:		
Cash received in consolidation	63,920	67,985
Proceeds from sale	-	2,542,968
Change in restricted cash	561,897	(3,504,090)
Change in investments	(13,667)	(9,412)
Investment in unconsolidated entities	(39,101)	(331,700)
Distributions from Barrett	931,146	-
Proceeds from the sale of properties held for sale	1,149,271	1,754,629
Purchase of real estate and rehabilitation costs	(1,372,120)	(1,043,455)
Advances on notes receivable	(18,000)	-
Proceeds from repayment of notes receivable	638,887	266,985
Purchase of property and equipment	(956,533)	(555,120)
Net cash provided by (used in) investing activities	<u>945,700</u>	<u>(811,210)</u>
Cash flows from financing activities:		
Purchase of financing costs	(4,607)	(115,772)
Net repayment on lines of credit	(286,178)	(654,615)
Proceeds from restricted funding	240,000	350,000
Repayment of conditional notes payable	(165,800)	-
Proceeds from long-term debt	799,908	7,947,744
Repayment of long-term debt	(925,082)	(6,050,760)
Net cash (used in) provided by financing activities	<u>(341,759)</u>	<u>1,476,597</u>
Net increase in cash	929,124	1,089,509
Cash, beginning of year	<u>5,388,645</u>	<u>4,299,136</u>
Cash, end of year	\$ <u>6,317,769</u>	<u>5,388,645</u>

See accompanying notes to the financial statements.

1. ORGANIZATION:

Columbus Housing Partnership, Inc. dba Homeport (Homeport, Organization) is a private, nonprofit 501(c)(3) organization focused on providing homes, education and social services to low income individuals and families so they can succeed where they live. Homeport is “Building Vibrant Communities” in Central Ohio, one neighborhood, one person at a time.

Homeport was established in 1987 with the assistance of Enterprise Community Partners, Inc. (Enterprise), a not-for-profit organization, which promotes these goals and objectives on a national level, and became a member of NeighborWorks America, a national organization, in 2003. Homeport focuses on holistic affordable housing solutions including providing rental homes, revitalizing central city neighborhoods, providing homes for sale, and providing housing-related education. Residents have access to supportive services including one-on-one counseling and an array of place-based programs for youth and adults designed to stabilize families right at home, such as after-school programs, summer camps, health and resource fairs, and through partnerships with the food bank and others to provide groceries and prepared meals. Education programs include financial fitness, homebuyer education, and foreclosure prevention programming to the public, as well as to residents of Homeport rental communities, to enable people to achieve financial stability. Because Homeport residents have homes they can afford, they have more income remaining for the rest of life’s necessities.

Program descriptions

Homeport is reported as two divisions, Homeport Division (HP Division) and Homeport’s Home Ownership Division (HHO). The HP Division includes Learning and Engagement, which is comprised of Housing Advisory Services, Community Partners and Community Engagement; and Real Estate Development, which is comprised of Asset Management and Rental Development. HHO is the sales division committed to providing quality homes at an affordable price.

Measure of operations

In its consolidated statements of operations, the Organization includes in its definition of operations all direct revenue and expenses that are provided as part of its programs and supporting services. Funding that is passed through to related tax credit projects, eliminated earnings from subsidiaries and permanently restricted capital funding from NeighborWorks America are reported in the consolidated statements of changes in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Homeport are set forth to facilitate the understanding of data presented in the consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the accounts of Homeport’s wholly and majority owned subsidiaries and the accounts of entities for which Homeport is considered to exercise significant control. All significant intercompany transactions and balances have been eliminated in the consolidation. The consolidated financial statements include the accounts of the following entities:

Homeport

CHP Homeport Homes, LLC is a wholly owned limited liability company which holds single family homes and other real estate used by HHO.

CHP Agler Road Office, LLC is a wholly owned limited liability company that owns and leases a corporate office facility in Columbus, Ohio.

Metro City Homes, Inc., a non-profit organization formed under the laws of the State of Ohio, is a wholly owned subsidiary of Columbus Housing Partnership, Inc. formed to further the mission statement of Homeport on a not-for-profit basis. Metro City Homes, Inc. has an 11.76% interest in Central City Development Fund I, LLC (CCDF). CCDF's mission is to make loans to facilitate the formation, development and growth of new and expandable affordable housing opportunities in the Columbus, Ohio metropolitan area.

CHP Equity Housing, LLC, CHP Equity New Salem Housing, LLC, CHP Equity Kimcourt II, LLC, CHP Equity Tussing, LLC, CHP Equity Framingham Housing, LLC, Starr High LLC (sold during 2016) and CHP Equity Lease Option Homes, LLC are wholly owned limited liability companies that hold limited partnership interests in affordable housing projects.

CHP Deshler Avenue, LLC (sold during 2016), CHP Barrett Multifamily, LLC (sold during 2016) and CHP Barrett Single Family, LLC are wholly owned limited liability companies that maintain an ownership interest in legal entities that redeveloped a former middle school in Columbus, Ohio into housing.

Elim Senior Housing, Inc., a non-profit organization formed under the laws of the State of Ohio, is a wholly owned subsidiary of Columbus Housing Partnership, Inc. for the purpose of providing financing to Elim Manor Homes, Limited Partnership.

Corporations which maintain ownership in affordable housing projects - the consolidated financial statements also include the accounts of the following entities for which Homeport is considered to exercise significant control.

<u>Corporations</u>	<u>Ownership %</u>
Fairview Housing, Inc.	76
Fieldstone Court Housing, Inc.	76
Maplegreen Housing, Inc.	76
Por Los Ninos, Inc.	100
Southside Housing, Inc.	76
Spruce Bough Housing, LLC	100
Urbancrest Affordable Housing Partners, Inc.	76
Joyce Avenue Housing, Inc.	76
Main Street Housing, Inc.	100
Mariemont Housing, Inc.	76
Fourth Street Housing, Inc.	75
East Mound Housing, Inc.	75
Gender Road Housing, Inc.	100
Homes on the Hill, Inc.	100
Indianola Housing, Inc.	100
Linden Housing, Inc.	76
Kingsford Housing, Inc.	75
Parkmead Apartments, Inc.	100
South East Housing, Inc.	75
Emerald Glen Housing, Inc.	100

<u>Corporations</u>	<u>Ownership %</u>
High Street Housing, Inc.(sold 2016)	100
Tussing Road Housing, Inc.	66
New Salem Homes, Inc.	51
East Side Housing, Inc.	25
Summerfield Housing, Inc.	100
City View Housing, Inc.	76
Dunrobin Housing, Inc.	100
Grace Walk Housing, Inc.	100
Luke's Crossing Project Corp.	75
Agler Elderly Housing, LLC	51
Agler Family Housing, LLC	51
Elim Estates Housing, Inc.	76
Whittier Landing Housing, Inc.	76
Elim Manor Elderly Facilities, Inc.	24
Enclave at Hilliard Run Housing, Inc.	100
Eastway Village Housing, Inc.	76
Duxberry Landing Housing, Inc.	76
Whitehall Elderly Housing Facilities, Inc.	100
Trabue Crossing Housing, Inc.	100
Victorian Heritage Housing, Inc.	100
CHP Housing, Inc.	100
Milo-Grogan Housing, Inc.	100
Blacklick Crossing Housing, Inc.	100

The corporations listed are general partners (managing members for real estate entities formed as limited liability companies) in real estate limited partnerships (limited liability companies) which own multifamily rental and scattered site projects for low-income residents. The general partner interests in these Partnerships are generally up to 1%. As of December 31, 2017, Homeport had investments in 24 unconsolidated operating real estate entities, with a total of 1,446 housing units.

Homeport also owns a noncontrolling interest and does not exercise significant control in the following corporations that maintain an interest in affordable housing projects. As of and during the years ended December 31, 2017 and 2016 Homeport had no investment in or activity related to these entities.

<u>Corporations</u>	<u>Ownership %</u>	<u>Controlling Owner</u>
Briggsdale Apartments, Inc.	21	Community Housing Network, Inc.
CHN Preservation, Inc.	21	Community Housing Network, Inc.
Gender Road GP Corporation	21	Columbus Metropolitan Housing Authority
Jefferson Avenue Apartments, Inc.	21	Community Housing Network, Inc.
Jenkins Terrace Inc.	25	Columbus Metropolitan Housing Authority
Rosewind GP, Inc.	21	Columbus Metropolitan Housing Authority
Southpoint Apartments, Inc.	21	Community Housing Network, Inc.
Hawthorn Grove, Inc.	21	Community Housing Network, Inc.
Worley Terrace, Inc.	21	Columbus Metropolitan Housing Authority
Terrace Place, Inc.	21	Community Housing Network, Inc.
Briggsdale Apartments II, Inc.	21	Community Housing Network, Inc.
Laurel Green Apts, Inc.	21	Community Housing Network, Inc.

For Sale

HKS Associates, LLC was formed June 2005, under the laws of the State of Ohio, for the purpose of acquiring real estate for Homeport. The final two single family condominiums were sold during 2015. Homeport is the sole member of the limited liability company.

Greater Linden Homes Limited Partnership was formed in February 1999, under the laws of the State of Ohio, for the purpose of constructing and operating 39 housing units located in Columbus, Ohio. Homeport has controlling ownership in this partnership through its subsidiaries CHP Equity Lease Option Homes, LLC, the limited partner and Linden Housing, Inc. the general partner. The previous limited partners transferred their interest to Homeport on July 31, 2016.

Kingsford Homes Limited Partnership was formed in February 2000, under the laws of the State of Ohio, for the purpose of constructing and operating 33 housing units located in Columbus, Ohio. Homeport has controlling ownership in this partnership through its subsidiaries CHP Equity Lease Option Homes, LLC, the limited partner and Kingsford Housing, Inc. the general partner. The previous limited partners transferred their interest to Homeport on December 31, 2016.

NHSS L.P. was formed in August 1995, under the laws of the State of Ohio, for the purpose of constructing and operating 50 single family housing units on scattered sites in Columbus, Ohio. Homeport has controlling ownership in this partnership through its subsidiaries CHP Equity Housing, LLC, the limited partner and East Side Housing, Inc. the general partner. The previous limited partners transferred their interest to Homeport on November 30, 2016. As of December 31, 2016, NHSS L.P. consisted of one housing unit classified as held for sale which was sold during 2017.

Joyce Avenue Homes Limited Partnership was formed in March 2001, under the laws of the State of Ohio, for the purpose of constructing and operating 31 units of single-family affordable housing on scattered sites in Columbus, Ohio. Homeport has controlling ownership in this partnership through its subsidiaries CHP Equity Lease Option Homes, LLC, the limited partner, and Joyce Avenue Housing, Inc., the general partner. The previous limited partners transferred their interest to Homeport on December 31, 2017.

South East Columbus Homes Limited Partnership was formed in February 2000, under the laws of the State of Ohio, for the purpose of constructing and operating 37 units of single-family affordable housing on scattered sites in Columbus, Ohio. Homeport has controlling ownership in this partnership through its subsidiaries CHP Equity Lease Option Homes, LLC, the limited partner, and South East Housing, Inc., the general partner. The previous limited partners transferred their interest to Homeport on December 31, 2017.

Rental Properties

Obetz Village Limited Partnership was formed in August 1990, under the laws of the State of Ohio, for the purpose of constructing and operating a 100-unit apartment community located in Columbus, Ohio. The apartment community, known as Indian Mound Apartments, began operations in August 1990. Homeport has controlling ownership in this partnership through its subsidiaries CHP Equity Housing, LLC, the limited partner, and Por Los Ninos, Inc., the general partner.

Kimcourt Limited Partnership was formed in June 1991, under the laws of the State of Ohio, for the purpose of constructing and operating a 100-unit apartment community located in Columbus, Ohio. The apartment community, known as Raspberry Glen Apartments, began operations in September 1993. Homeport has controlling ownership in this partnership through its subsidiaries CHP Equity Housing, LLC, the limited partner, and Por Los Ninos, Inc., the general partner.

Parkmead Apartments Limited Partnership was formed in December 1991, under the laws of the State of Ohio, for the purpose of constructing and operating a 72-unit affordable housing complex located in Grove City, Ohio. The apartment community, doing business as Parkmead Apartments, began operations in 1992. Homeport has controlling ownership in this partnership through its subsidiaries CHP Equity Housing, LLC, the limited partner, and Parkmead Apartments, Inc., the general partner.

Starr/High Limited Partnership was formed in December 1992, under the laws of the State of Ohio, for the purpose of constructing and operating a 35-unit affordable housing complex located in Columbus, Ohio. The apartment community, doing business as Starr High Studios, began operations in 1993. Homeport has controlling ownership in this partnership through its subsidiaries CHP Equity Housing, LLC, the limited partner, and High Street Housing, Inc., the general partner. Homeport sold its interest in this affordable housing project on December 31, 2016.

Emerald Glen Housing Limited Partnership was formed September 1993, under the laws of the State of Ohio, for the purpose of constructing and operating a 130-unit affordable housing complex located in Columbus, Ohio. The apartment community, doing business as Emerald Glen Apartments, began operations in 1995. Homeport has controlling ownership in this partnership through its subsidiaries CHP Equity Housing, LLC, the limited partner, and Emerald Glen Housing, Inc., the general partner.

George's Creek Limited Partnership was formed September 1994, under the laws of the State of Ohio, for the purpose of constructing and operating a 120-unit multi-family apartment project located in Columbus, Ohio. The apartment community, doing business as George's Creek Apartments, began operations in 1995. Homeport has controlling ownership in this partnership through its subsidiaries CHP Equity Housing, LLC, the limited partner, and Gender Road Housing, Inc., the general partner.

CHP Kimberly, Inc., a non-profit organization, is a wholly owned subsidiary of Columbus Housing Partnership, Inc. formed to develop, construct, own, maintain and operate a multi-family rental housing project. The rental property, doing business as Marsh Run Apartments, is a 184-unit apartment located in Columbus, Ohio.

Friends/VVA Apartments, Inc. is a non-profit organization that owns and operates 16 units of affordable rental housing for the elderly and handicapped in Columbus, Ohio. As of July 4, 2014 the amended and restated code of regulations names Columbus Housing Partnership, Inc. as the sole member.

Kimcourt II Limited Partnership was formed April 1994, under the laws of the State of Ohio, for the purpose of constructing and operating a 78-unit apartment building. The apartment community, doing business as Kimberly Meadows, began operations in 1997. Homeport has controlling ownership in this partnership through its subsidiaries CHP Equity Kimcourt II, LLC, the limited partner, and Por Los Ninos, Inc., the general partner.

Tussing Road Homes Limited Partnership was formed February 1998, under the laws of the State of Ohio, for the purpose of constructing and operating a 136-unit apartment building. The apartment community, doing business as Pheasant Run, began operations in 2000. Homeport has controlling ownership in this partnership through its subsidiaries CHP Equity Tussing, LLC, the limited partner, and Tussing Road Housing, Inc., the general partner.

Other controlled entities

Other controlled entities are wholly owned subsidiaries of Columbus Housing Partnership, Inc. formed to construct real estate through the federal Low Income Housing Tax Credit program. Other controlled entities during 2017 consisted of Blacklick Crossing Homes LLC. Other controlled entities during 2016 consisted of Milo-Grogan Homes LLC.

Basis of accounting

The financial statements of Homeport have been prepared on the accrual basis of accounting.

Financial statement presentation

Homeport is required to report, where applicable, information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Net assets are reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Board designated cash is unrestricted net assets that the Board of Directors designated to ensure that the Organization has the funds available to pay any possible future obligations that may arise from commitments and contingencies. The board designated \$250,000 as of December 31, 2017 and 2016.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Homeport and/or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in either the statements of operations or the statements of changes in net assets as net assets released from restrictions. When a restriction is met in the same reporting period, the support is recorded as unrestricted. Temporarily restricted net assets are described in Note 15.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Homeport. Generally, the donors of these assets permit Homeport to use all or part of the income earned on any related investments for general or specific purposes. Permanently restricted net assets consisted of amounts restricted by NeighborWorks America described in Note 16.

Estimates

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

Cash flow disclosures

For the purpose of determining cash flows, management deems cash to be all amounts on hand, in demand deposits and highly liquid investments that have an original maturity of three months or less. Cash paid for interest during 2017 and 2016 amounted to \$1,617,809 and \$1,249,043, respectively. Interest capitalized during 2017 and 2016 amounted to \$6,836 and \$29,485, respectively.

Restricted cash

Restricted cash includes advanced loan funds for the security deposits, replacement, working capital, operating and operating deficit reserve accounts that are restricted by entity agreements or permanent loan documents. Restricted cash also includes cash limited to long-term purposes by NeighborWorks America and cash held as a fiscal agent.

Prepaid expenses

The Organization reports impound reserve accounts for property taxes and insurance as prepaid expenses.

Property and equipment and depreciation

Property and equipment are stated at cost when purchased, and at fair value when donated. Major expenditures for property and equipment and expenditures, which substantially increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. Depreciation is calculated over the estimated useful lives of the assets, ranging from 3 to 40 years, using the straight-line method.

Homeport reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flows expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds fair value of such property. An impairment loss of \$0 was recognized during 2017 and 2016.

Real estate development costs

Costs that clearly relate to real estate development projects are capitalized. Costs are allocated to project components by the specific identification method whenever possible. Interest costs are capitalized while development is in progress.

Purchase price allocation

The purchase price of acquired properties (businesses as defined in the accounting guidance related to business combinations) is allocated to tangible and identified intangible assets and liabilities based on their respective fair values at the date of the transaction. Such tangible and intangible assets include land, building, acquired above market and below market leases (if any), in-place lease value, customer relationships (if any), and any assumed financing that is determined to be above or below market terms. Any additional amounts are allocated to goodwill as required, based on the remaining purchase price in excess of fair value of the tangible and intangible assets acquired and liabilities assumed. Any excess of the value assigned to the net identifiable assets acquired over the purchase price is recognized in earnings as a contribution (bargain purchase gain).

The allocation of the purchase price is an area that requires judgment and significant estimates. The allocation to tangible assets (building and land) is based upon Homeport's determination of the value of

the property as if it were to be replaced and vacant and by analyzing the anticipated income from the property and converting it into an opinion of present value using an industry acceptable capitalization rate. The allocation between land and building considers factors such as county tax records and other acceptable industry practices. Homeport determines whether any financing assumed is above or below market based upon comparison to similar financing terms for similar investment properties.

These allocations are subject to change based on information received within one year of the purchase related to one or more events identified at the time of purchase which confirm the value of an asset or liability received in an acquisition of property.

Homeport expenses acquisition costs of all transactions as incurred. All costs of finding, analyzing and negotiating a transaction and settlement charges are expensed as incurred, whether or not the acquisition is completed.

Notes receivable and interest income

Notes receivable are recorded at unpaid principal balances, less an allowance for loan losses. The allowance is established, as losses are estimated to have occurred and notes receivable are charged against the allowance when management believes the uncollectability of a note balance is confirmed. Payments on the notes are to be made out of available cash flow by the borrower, as defined, with principal plus accrued but unpaid interest being deferred until the earlier of (a) the note's maturity date (b) the date the properties cease to be qualified low-income projects, or (c) the date the properties are refinanced or sold. Due to the uncertainty of repayment and the deferral of interest, the Organization recognizes interest income on notes receivable from affiliates as received.

The note's principal is evaluated for collectability to determine whether it is impaired. A note is considered impaired when, based on current information and events, it is probable that Homeport will be unable to collect all amounts due according to the existing contractual terms. When a note is considered to be impaired, the amount of the allowance is calculated by comparing the recorded investment to either the value determined by discounting the expected future cash flows using the note's effective interest rate or to the fair value of the collateral if the note is collateral dependent. Impaired loans are classified as nonperforming and, consequently, interest income is only recognized on these loans when actually received from the borrower. Partial payments of contractual amounts due on impaired loans are treated as interest income on a cash basis until such time as the loan is restored to performing status.

Investments

Investments include various types of pooled investments held and invested by the Columbus Foundation on behalf of the Organization. The investments are valued at their fair values in the consolidated statements of financial position and unrealized gains and losses are included in the consolidated statements of operations. Donated investments are recorded at the fair value at the time received.

Homeport maintains an investment account for NeighborWorks capital funds with Key Bank holding Treasury Bills for amounts exceeding FDIC insurance.

Investment in unconsolidated entities

Homeport accounts for its investment in entities, for which it does not exercise significant control, under the equity method of accounting, where the investment is initially recorded at cost, and Homeport's share of earnings is reflected in income as earned and distributions are credited against the investment when received. Amounts invested are generally not available for use by Homeport.

Homeport evaluates the carrying amount of investments on a periodic basis and recognizes impairment when the carrying amount exceeds the fair value for other than on a temporary basis. It is reasonably possible that Homeport's estimate of investments' fair value may change in the near term by a material amount.

Conditional notes payable

Notes payable that contain a provision for the forgiveness of debt are recorded as conditional notes payable until the contingency becomes remote. Conditional notes payable must be repaid in full with interest upon an event of default during the loan term or upon Homeport receiving repayment on the corresponding note receivable.

Debt issuance costs

Debt issuance costs are amortized over the period of the related loan using the straight-line method and reported net of related accumulated amortization at December 31, 2017 and 2016 of \$189,007 and \$78,696, respectively.

Derivative financial instruments

Homeport's strategy in entering into interest rate swap agreements is to add stability to interest expense and to manage exposure to interest rate movement by converting variable rate debt to a fixed rate. The interest rate swap is recognized as either an asset or liability and measured at fair value. The change in the fair value of the interest rate swap is recognized in other operating income (expense) as unrealized gain or loss on interest rate swap in the period of change. The realized gain or loss on the interest rate swap currently adjusts interest expense when interest on the related debt is accrued.

Revenue recognition

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to Homeport and are measured at their fair values. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Homeport reports the support as unrestricted.

Homeport rents its properties under leases with various terms and options with payments due on the first of the month. Revenues are recognized into income in the period in which the rental payments are earned. Vacancy loss and concessions are shown as a reduction of rental income. Bad debts are treated as direct write-offs in the period management determines that collection is not probable.

Development fee revenue

Development fee revenue is recognized during the development period based on the percentage of completion method of accounting that matches revenue with services performed under the agreements.

Advertising costs

Advertising costs are expensed as incurred. Advertising expense was \$64,663 and \$87,921 for the years ended December 31, 2017 and 2016, respectively.

Donated services

Volunteers have donated a significant number of hours in assisting Homeport in providing services and programs to the residents or purchasers of affordable homes sponsored by the Organization. Homeport received 5,869 volunteer hours during 2017 and 5,684 during 2016. The value of this contributed time is not reflected in the accompanying financial statements since they do not require specialized skills.

Donated professional services are reflected in the accompanying financial statements at their fair value. Homeport recorded donated legal services in the amount of \$31,179 and \$51,584 for the years ended December 31, 2017 and 2016, respectively.

Federal income taxes

Homeport, Elim Senior Housing, Inc. Friends/VVA Apartments, Inc. and CHP Kimberly, Inc. are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The activities of Homeport's single member limited liability companies are included with the activity of Homeport for federal tax reporting purposes. No provision for income taxes has been made for the for-profit subsidiaries due to recurring losses sustained from operations of these entities.

Accounting for uncertainty in income taxes

Income from certain activities not directly related to Homeport's tax-exempt purpose is subject to taxation as unrelated business income. Homeport's reporting returns are subject to audit by federal and state taxing authorities. The Organization's policy with regard to interest and penalties is to recognize interest through interest expense and penalties through operating expenses. No income tax provision has been included in the financial statements as Homeport has determined it does not have unrelated business income subject to taxation.

Recent accounting pronouncements

The Financial Accounting Standards Board (FASB) issued ASU 2016-14, "*Not-for-Profit Entities (Topic 958)*" ("ASU 2016-14") in August 2016, to improve the financial reporting of non-for-profit entities. The guidance requires two categories of net assets instead of the current three and will enhance disclosures. Homeport has not early adopted ASU 2016-14.

The FASB issued ASU 2017-02, "*Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity (Subtopic 958-810)*" ("ASU 2017-02") in January 2017, by reinstating the consolidation guidance that previously existed. Homeport does not expect ASU 2017-02 to have a significant impact on the consolidated financial statements when adopted.

Concentration of credit risk

Homeport maintains its cash in several regional financial institutions, which are insured by the Federal Deposit Insurance Corporation up to \$250,000 in each institution. At various times during the year, Homeport had funds in excess of \$250,000.

Subsequent events

Management of Homeport evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through June 29, 2018, the date the financial statements were available to be issued.

3. PROPERTY AND EQUIPMENT:

The following summarizes Homeport's fixed assets at December 31:

Property and equipment:	<u>2017</u>	<u>2016</u>
Office buildings:		
Land and land improvements	\$ 160,000	160,000
Buildings and improvements	2,501,787	2,436,966
Furniture, fixtures and equipment	384,977	395,337
Less accumulated depreciation	<u>(530,965)</u>	<u>(459,915)</u>
	<u>2,515,799</u>	<u>2,532,388</u>
Rental properties:		
Land and land improvements	3,187,745	3,135,557
Buildings and improvements	27,819,483	26,966,650
Less accumulated depreciation	<u>(8,740,286)</u>	<u>(7,546,655)</u>
	<u>22,266,942</u>	<u>22,555,552</u>
Properties held for sale	<u>2,305,817</u>	<u>130,450</u>
Construction in progress	<u>798,040</u>	<u>851,311</u>
Total property and equipment	\$ <u>27,886,598</u>	<u>26,069,701</u>

Properties held for sale consists of 55 and 2 housing units with an average carrying value of each housing unit of approximately \$42,000 and \$65,000 at December 31, 2017 and 2016, respectively.

4. RECEIVABLES:

Fees receivable

The components of fees receivable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Development	\$ 1,571,301	1,654,317
Asset management	215,132	271,374
Service coordinator	36,923	128,287
Real estate tax refund administration	<u>163,134</u>	<u>233,155</u>
Fees receivable	1,986,490	2,287,133
Less: allowance for receivable losses	<u>(779,203)</u>	<u>(815,751)</u>
Fees receivable, net	1,207,287	1,471,382
Less: current	<u>650,000</u>	<u>873,128</u>
Noncurrent fees receivable, net	\$ <u>557,287</u>	<u>598,254</u>

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	<u>2017</u>	<u>2016</u>
Allowance for receivable losses:		
Balance, beginning of year	\$ 815,751	824,104
Charge-offs	(185,520)	-
Provision for losses	203,730	34,706
Recoveries on receivables	<u>(54,758)</u>	<u>(43,059)</u>
Balance, end of year	<u>\$ 779,203</u>	<u>815,751</u>

Under the terms of the partnership or operating agreements for various real estate entities in which a subsidiary of Homeport is a general partner or managing member, Homeport is entitled to receive fees for development services. Based on the financial position of the real estate entities, certain development fees are deferred due to cash flow restraints of the entities and will be repaid as cash flow permits or upon termination of the entities. The development fee receivables are noninterest-bearing. Management makes an assessment of the ultimate realization of these receivables on an annual basis and estimates an allowance for doubtful accounts based upon the financial condition of the limited partnership as well as Homeport's historical evidence of collections. Because of these factors, it is reasonably possible that the estimated losses may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Other receivables

Other receivables consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Delinquent tenant rent	\$ 86,519	100,447
Insurance claim	-	122,754
Pledges receivable	42,140	32,687
Proceeds from single family home sales	180,089	482,879
Employee advances	485	23,704
Lease receivables and other	<u>299,873</u>	<u>212,733</u>
	<u>\$ 609,106</u>	<u>975,204</u>

5. RELATED PARTY RECEIVABLES, NET:

Homeport has advanced funds to Central Ohio Housing Development Organization, Inc. (COHDO). Homeport is considered a related party as it can significantly influence (but not control) the management and operating policies of COHDO. Homeport has paid expenses on behalf of COHDO and these advances are repaid as cash flow permits. At December 31, 2017 and 2016 the amount owed totaled \$1,376,945 and \$1,386,243, net of an allowance of \$1,264,767 and \$1,264,767, all respectively. Shared operating expenses incurred and charged to COHDO by Homeport during 2017 and 2016 was \$18,000 and \$35,999, respectively. In addition, employees of Homeport are also employed by COHDO. Seven housing units were purchased from COHDO during 2016 based on COHDO's carrying cost of \$155,505. During 2016, Homeport forgave \$51,923 in long-term debt owed by COHDO.

Homeport has also advanced funds to entities in which subsidiaries of Homeport are a general partner or managing member. These funds generally represent expenses paid by Homeport on behalf of the entities and are repaid as cash flow permits. At December 31, 2017 and 2016 the net amount owed totaled \$330,095 and \$244,691, reported net of an allowance of \$44,340 and \$44,340, all respectively.

6. NOTES RECEIVABLE:

Notes receivable consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Notes receivable	\$ 14,669,861	15,810,748
Less allowance for loan losses	<u>(1,280,000)</u>	<u>(1,280,000)</u>
	<u>\$ 13,389,861</u>	<u>14,530,748</u>

Homeport has long-term notes receivable from various entities in which subsidiaries of Homeport are a general partner or managing member. The notes are generally secured by real estate and bear interest ranging from 1½% to 11%. The repayment terms of the notes either require no repayment until the first mortgages on the related partnership property are repaid, or require repayment of interest and principal from cash flows of the entities, as defined. The notes have maturity dates through 2057. Homeport recognized interest income of \$216,551 and \$17,265 from cash received on impaired notes in 2017 and 2016, respectively. Total cumulative interest of approximately \$5,000,000 and \$4,900,000 at December 31, 2017 and 2016, respectively, has not been recorded or recognized as income on the notes receivable as management deems such interest to be contingent. Interest income on impaired loans will be recognized when the respective interest payments are received.

Management makes an assessment of the ultimate realization of notes receivable on an annual basis based upon the financial condition of the entities. This assessment includes consideration of conditional notes payable obtained through grant borrowings that have been deferred and require repayment only if the related note receivable is repaid to Homeport. Conditional notes payable relating to notes receivable amounted to \$10,862,197 and \$11,162,197 at December 31, 2017 and 2016, respectively.

Due to the financial uncertainty of the projects and maturity length of these notes, actual amounts received from these loans could differ from the amounts recorded in the consolidated statements of financial position. However, the amount of the change that is reasonably possible cannot be estimated. Management deems loans to properties that do not have sufficient cash flow available to pay interest currently to be impaired due to the uncertainty in cash flow of the borrower and the ultimate outcome and valuation of the transfer of the property at year fifteen. The entire allowance for notes receivable relates to impaired loans. At December 31, 2017 and 2016, the recorded investment in impaired loans amounted to \$14,576,861 and \$14,198,959, respectively. The average recorded investment in impaired loans at December 31, 2017 and 2016 was approximately \$290,000 and \$300,000, respectively.

7. RESTRICTED CASH:

Restricted cash included the following accounts at December 31:

	<u>2017</u>	<u>2016</u>
Homeport operating deficit reserves (Note 24)	\$ 1,151,304	806,991
Fiscal agent cash	-	276,928
NeighborWorks America	615,816	562,569
Capital held for development	563,555	532,794
Other restricted cash	25,959	22,754
Rental properties:		
Security deposits	327,228	315,560
Replacement reserve	5,274,872	5,384,274
Working capital reserve	156,333	165,588
Operating reserve	730,601	922,335
Repair escrow	<u>25,009</u>	<u>153,602</u>
	<u>\$ 8,870,677</u>	<u>9,143,395</u>

8. INVESTMENT IN UNCONSOLIDATED ENTITIES:

The following summarizes Homeport's investment in unconsolidated entities at December 31:

	<u>2017</u>	<u>2016</u>
Investment in tax credit projects	\$ 9,371,926	9,428,897
Investment in Joint Venture - Barrett	-	461,800
Investment in Central City Development Fund	<u>177,178</u>	<u>181,729</u>
	<u>\$ 9,549,104</u>	<u>10,072,426</u>

Investment in unconsolidated entities are recorded under the equity method of accounting. The investments are initially recorded at cost and adjusted upward or downward for Homeport's proportionate share of the earnings or losses. Homeport adjusted its carrying value for the proportionate share of income (losses) in the amount of \$462,411 for the year ended December 31, 2017 and \$(6,228) for the year ended December 31, 2016.

Homeport's carrying value of its investment in tax credit projects differs from its share of the equity based on the capital contributions required in the individual partnership or operating agreements that are not in proportion to the ownership percentages. Therefore, Homeport reviews its investment in tax credit projects for impairment by considering whether declines in the fair values of those investments, versus carrying values, may be other than temporary in nature.

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A financial summary for the investment in tax credit projects that are actively managed as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Assets:		
Rental property, net	\$ 89,621,818	94,314,262
Other assets	<u>14,220,926</u>	<u>13,681,368</u>
Total assets	\$ <u>103,842,744</u>	<u>107,995,630</u>
Liabilities and Equity:		
Mortgage debt	\$ 59,125,291	66,962,607
Other liabilities	5,605,499	5,070,746
Equity	<u>39,111,954</u>	<u>35,962,277</u>
Total liabilities and equity	\$ <u>103,842,744</u>	<u>107,995,630</u>
Net rental income	\$ 8,145,952	9,130,623
Rental expenses	<u>13,512,495</u>	<u>13,445,563</u>
Net real estate loss	(5,366,543)	(4,314,940)
Interest income	<u>91,370</u>	<u>89,665</u>
Net loss	\$ <u>(5,275,173)</u>	<u>(4,225,275)</u>

A financial summary for the investment in Joint Venture - Barrett as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Assets:		
Fixed assets	\$ -	1,306,226
Other assets	-	<u>1,002,602</u>
Total assets	\$ <u>-</u>	<u>2,308,828</u>
Liabilities and Equity:		
Mortgage debt	\$ -	1,915,000
Other liabilities	-	178,828
Equity	-	<u>215,000</u>
Total liabilities and equity	\$ <u>-</u>	<u>2,308,828</u>
Net income (loss)	\$ <u>990,495</u>	<u>-</u>

A financial summary for the investment in Central City Development Fund I, LLC as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Total assets	\$ <u>1,784,418</u>	<u>1,788,415</u>
Liabilities and equity:		
Total liabilities	\$ 272,400	237,400
Total equity	<u>1,512,018</u>	<u>1,551,015</u>
Total liabilities and equity	\$ <u>1,784,418</u>	<u>1,788,415</u>
Net loss	\$ <u>(38,997)</u>	<u>(39,026)</u>

9. LINES OF CREDIT:

Homeport has a secured line of credit with Community Housing Capital totaling \$4,200,000 to be drawn down for working capital and operating purposes. The line of credit has an April 30, 2018 maturity date and bears interest at 6%. The outstanding balance on the line of credit as of December 31, 2017 and 2016 was \$339,055 and \$250,233, respectively.

Homeport has a secured line of credit with Huntington National Bank totaling \$500,000 to be drawn down for working capital and operating purposes. The line of credit has a November 15, 2018 maturity date and bears interest at a rate equal to the LIBO rate plus 3%. The outstanding balance on the line of credit as of December 31, 2017 and 2016 was \$0.

Homeport has secured a line of credit with Neighborworks Capital Corporation totaling \$400,000 to be drawn down for cost associated with refinancing tax credit properties that are past their 15 year compliance period. The line of credit has a February 2018 maturity date and bears interest at a rate of 4.5% compounded quarterly. The outstanding balance on the line of credit as of December 31, 2017 and 2016 was \$25,000 and \$400,000, respectively.

10. CONDITIONAL NOTES PAYABLE:

Homeport has the following conditional notes payable at December 31:

	<u>2017</u>	<u>2016</u>
Board of Franklin County Commissioners loans, secured by mortgage on real estate held by Urbancrest Affordable Housing, LLC (2016) or Elim Manor Homes, L.P., bearing interest at 0%. The loans are forgiven through January 15, 2028 the fifteen year compliance period and upon compliance with the terms and conditions of the loans. (Homeport)	\$ 200,000	368,000

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	<u>2017</u>	<u>2016</u>
One Mortgage Partners Corp. loans (Federal Home Loan Bank), bearing interest up to 3.00%, with principal and interest due annually out of excess cash in arrears through 2049 (Elim Estates) or forgiven after completion of the 15 year compliance period as defined and secured by real estate held by Eastway Village Homes, LLC or Duxberry Landing Homes, LLC. (Homeport for Elim Estates, Eastway and Duxberry)	\$ 788,360	788,360
City of Columbus and Franklin County advances, payable from sale proceeds of single family homes. (Homeport, HKS)	563,874	664,746
State of Ohio loans, collateralized by second and third mortgages on rental property, bearing interest at rates from 2% to 3% maturing through 2049. (Homeport)	10,065,837	10,365,837
City of Columbus loans, collateralized by mortgages on rental property, bearing interest at rates from 0% to 6.36%. (Homeport, CHP Homeport Homes, CHP Kimberly, Emerald Glen, Kimcourt II, Tussing Road)	<u>3,950,512</u>	<u>3,950,160</u>
Total	15,568,583	16,137,103
Less current portion	<u>1,037,421</u>	<u>1,135,406</u>
Long-term portion	\$ <u>14,531,162</u>	<u>15,001,697</u>

Homeport received proceeds from notes payable from the City of Columbus and the State of Ohio which were advanced to various tax credit entities in which a subsidiary of the Organization is a general partner or managing member. Under the terms of these notes, repayment of interest and/or principal may be required from available cash flow, as defined, from the related project. Subject to cash flow payments from the tax credit entities to Homeport, the conditional notes payable are not expected to be forgiven or repaid within the next five years. The current portion of conditional notes payable includes notes that have terms ending during 2018.

11. LONG-TERM DEBT:

Homeport has the following long-term debt at December 31:

	<u>2017</u>	<u>2016</u>
Huntington Bank loans secured by real estate, bearing interest at 2.15% plus LIBOR. Principal and interest are due and payable on first of each month, maturing through January 2026. (CHP Agler, Kimcourt II)	\$ 2,981,131	2,877,029
Affordable Housing Trust for Columbus and Franklin County loans, collateralized by mortgages on real estate, bearing interest at rates from 2% and 2.5%, repayment payable in monthly payments of interest only, maturing through August 2026. (Homeport, CHP Kimberly)	872,369	910,294

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	<u>2017</u>	<u>2016</u>
Central City Development Fund I, LLC related party loan, unsecured, bearing no interest. Repayment is due no earlier than 2021. (CHP Homeport Homes)	\$ 1,500,000	1,500,000
Columbus Foundation, collateralized by the assignments of real estate, rents and security, bearing interest at 3%, payable in quarterly payments of principal and interest through August 30, 2026. (CHP Kimberly)	3,177,611	3,300,000
Lancaster Pollard Mortgage Co. (HUD insured) payable in monthly installments through March 2051 bearing interest from 3.58 to 4.12% fixed. Secured by real estate. (George's Creek, Emerald Glen, Tussing Road)	8,020,208	8,145,517
United States Department of Housing and Urban Development (HUD), payable in monthly installments of \$4,292 through May 2031 bearing interest at 8.375% fixed. Secured by real estate. (Friends/VVA)	414,223	430,303
NWSL 2012 AHMI Fund, LLC loan, bearing interest at a fixed rate of 5.25%. Interest payments are due and payable quarterly. The unpaid principal balance is due November 1, 2019, secured by cash escrow of \$375,000. (Homeport)	1,500,000	1,500,000
Red Mortgage Capital, Inc. loan, bearing interest at 5.99%. Monthly payments of principal and interest in the amount of \$10,780, payable through March 1, 2018, secured by first mortgage on rental property. (Parkmead)	1,538,228	1,573,022
Bellwether Enterprise Real Estate Capital, LLC loans secured by real estate, bearing interest at 3.5%. Principal and interest are due and payable on first of each month, maturing on September 1, 2045. (Obetz, Kimcourt)	5,314,564	5,426,033
Ohio Housing Finance Agency loans secured by real estate, bearing interest at 1.00%. Principal and interest are due annually based on available surplus cash of the project, maturing on September 1, 2025. (Emerald Glen, Kimcourt II, Tussing Road)	842,743	848,430
OCFC PNC Affordable Housing Loan Fund LLC, predevelopment loan bearing interest at WSJ prime minus 0.50% (3.25% at December 31, 2016). Quarterly payment of interest due through the maturity date of the earlier of equity/construction loan closing or September 23, 2018. (Milo-Grogan)	-	150,000

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	<u>2017</u>	<u>2016</u>
Ohio Affordable Housing Loan Fund I, LLC, predevelopment loan bearing interest at the greater of WSJ prime minus 0.50% or 4.00%. Unpaid principal and interest due on the maturity date of the earlier of equity/construction loan closing or December 20, 2019. (Blacklick Crossing)	\$ 617,000	-
Charter One Bank loan secured by real estate bearing interest at 6.50%. Principal and interest are due and payable on first of each month, maturing December 2017. This mortgage was paid in full during 2017. (Kingsford)	-	588,999
Park National Bank loan secured by real estate bearing interest at 4.45%. Principal and interest are due and payable on first of each month, maturing June 2037. (Greater Linden, Kingsford)	948,888	499,792
City of Columbus loans, collateralized by mortgages on rental property, bearing interest at rates from 5.48% to 6.50%. The loans are due and payable from the net proceeds received from the sale of the rental properties. (Kingsford, Greater Linden, Joyce Avenue, South East Columbus)	1,597,000	779,000
Community Housing Capital, Inc. loan secured by real estate and assignment of rents and security, bearing interest at 5.50%. Interest payments are due and payable monthly. The unpaid principal balance is due October 2019. (South East Columbus)	800,000	-
KeyBank loan is secured by real estate and assignment of rents and security, bearing interest at 7.29%. Principal and interest are due and payable on first of each month, maturing March 2019. (Joyce Avenue)	<u>511,800</u>	<u>-</u>
Total	30,635,765	28,528,419
Less current portion	<u>2,649,254</u>	<u>1,911,198</u>
Long-term portion	\$ <u>27,986,511</u>	<u>26,617,221</u>

Obligations scheduled to mature within one year have been excluded from current liabilities when the Organization has the intent to refinance and a financing agreement is in place. A five-year summary of estimated future minimum payments required under the terms of the long-term debt is as follows:

	<u>Homeport</u>	<u>Affiliates</u>	<u>Total</u>
2018	\$ 72,123	2,577,131	2,649,254
2019	1,576,341	2,252,870	3,829,211
2020	80,733	861,091	941,824
2021	1,585,800	1,248,079	2,833,879
2022	183,424	533,944	717,368
Thereafter	<u>1,585,231</u>	<u>18,078,998</u>	<u>19,664,229</u>
	\$ <u>5,083,652</u>	<u>25,552,113</u>	<u>30,635,765</u>

12. ACCRUED INTEREST PAYABLE:

Accrued interest payable, reported as a current liability, represents interest expected to be repaid within one year of the balance sheet date using current assets of the Organization. Current accrued interest payable at December 31, 2017 and 2016 was \$100,518 and \$102,070, respectively.

Accrued interest payable, reported as a long-term liability includes interest usually up to 2% of the amount advanced with the State of Ohio or the City of Columbus as described in Note 10. The repayment of interest is conditional pending the repayment of the related note receivable from the unconsolidated tax credit entity or other conditions as defined in the loan agreements. In addition, consolidated real estate entities have conditional secondary mortgages with governmental entities that accrue interest based on the note agreements. Accordingly, accrued interest payable of \$3,931,686 and \$3,216,464 at December 31, 2017 and 2016, respectively, has been reported as a long-term liability as current assets of the Organization will not be used to satisfy these obligations.

13. DEFERRED GRANT ADVANCES – STATE OF OHIO:

Homeport received grant funding from the State of Ohio, which was loaned to affiliated entities to develop low-income housing. These entities must maintain safe, decent and sanitary housing for the entire affordability period (30 years). If the entities are in compliance, the grant advance subject to repayment is forgiven evenly over the compliance period. For the years ended December 31, 2017 and 2016, Homeport recognized loan forgiveness income of \$44,667 which was reported as government grants in the consolidated statements of operations.

As of December 31, 2017 and 2016, the balance of the deferred grant advance subject to repayment to the State of Ohio for noncompliance are as follows:

<u>Initial grant amount</u>	<u>Affordability period</u>	<u>2017</u>	<u>2016</u>
\$300,000	2030	\$ 110,000	120,000
\$300,000	2031	120,000	130,000
\$220,000	2032	95,338	102,671
\$300,000	2032	130,000	140,000
\$220,000	2033	<u>102,658</u>	<u>109,992</u>
		\$ <u>557,996</u>	<u>602,663</u>

14. OBLIGATION UNDER INTEREST RATE SWAPS:

The derivative financial instrument is recorded in the accompanying statements of financial position as either an asset or liability measured at fair value. The fair value of Homeport's interest rate swap liability amounted to \$64,909 and \$108,552 as of December 31, 2017 and 2016, respectively. The effects on the statements of operations for the years ended December 31, 2017 and 2016 includes an unrealized gain of \$43,643 and \$116,386, respectively.

The following table presents information regarding the Organization's interest rate swap agreement, and summarizes the fair value of the Organization's interest rate swap liability at December 31, 2017:

<u>Notional Amount</u>	<u>Index</u>	<u>Fair Value</u>	<u>Instrument</u>	<u>Maturity</u>
\$ 993,578	US LIBOR	\$ (21,495)	Swap	01/2026
1,722,817	US LIBOR	(43,414)	Swap	12/2024
		\$ <u>(64,909)</u>		

The following table presents information regarding the Organization's interest rate swap agreement, and summarizes the fair value of the Organization's interest rate swap liability at December 31, 2016:

<u>Notional Amount</u>	<u>Index</u>	<u>Fair Value</u>	<u>Instrument</u>	<u>Maturity</u>
\$ 1,010,322	US LIBOR	\$ (34,131)	Swap	01/2026
1,776,796	US LIBOR	(74,421)	Swap	12/2024
		\$ <u>(108,552)</u>		

15. TEMPORARILY RESTRICTED NET ASSETS:

Homeport maintains temporarily restricted net asset balances as follows at December 31:

	<u>2017</u>	<u>2016</u>
HUD Section 202 Capital Advances	\$ 6,653,090	6,845,848
NeighborWorks America Restricted Until First Use	<u>240,000</u>	<u>-</u>
	\$ <u>6,893,090</u>	<u>6,845,848</u>

HUD Section 202 Capital Advance

The Organization has recorded the proceeds from U.S Department of Housing and Urban Development (HUD) Section 202 capital advances as temporarily restricted. The proceeds from the capital advances were invested in Elim Manor Homes, L.P. and Whitehall Elderly Facilities, L.P. The capital advances will be reclassified to unrestricted net assets evenly over the compliance periods. The terms of the Capital Advance Program require that the housing remain available for a period of not less than 40 years for very low-income elderly persons. At final maturity (December 1, 2050 for Elim Manor Homes, L.P. and December 16, 2053 for Whitehall Elderly Facilities, L.P.) the entire balance of the Capital Advances will be forgiven. The HUD Section 202 Capital Advances are secured by an "open-end" mortgage on the rental properties payable to HUD. The mortgages are noninterest-bearing and repayment of the principal balances are not required as long as the housing remains available to very low-income elderly persons.

The Organization must comply with the terms of the Capital Advance Program or it may be required to repay the entire Capital Advance of \$7,710,300 plus an accrued interest penalty (calculated at the default rate of 5.25%) of \$1,792,900 and \$1,388,109 at December 31, 2017 and 2016, respectively. The Organization's total potential liability for noncompliance with the terms of the Capital Advance Program is \$9,503,200 and \$9,098,409 at December 31, 2017 and 2016, respectively.

16. PERMANENTLY RESTRICTED NET ASSETS (NEIGHBORWORKS AMERICA):

Homeport maintains permanently restricted net asset balances as follows at December 31:

	<u>2017</u>	<u>2016</u>
Capital fund balance	\$ <u>1,928,061</u>	<u>2,228,061</u>

NeighborWorks America (NWA) has provided \$0 and \$350,000 capital grants during 2017 and 2016, respectively for making loans and for capital projects. This amount is permanently restricted although proceeds on capital projects, or interest earned, over and above the corpus may be transferred to unrestricted net assets for furthering Homeport's mission. However, should Homeport become defunct, all remaining grant funds, interest earnings, capital project proceeds, and the loan and capital projects portfolios representing the use of these funds will revert to NeighborWorks America. Homeport has \$1,000,000 in fidelity bond coverage as of December 31, 2017 to cover any loss of funds provided by NWA. The federal grant activity under the NeighborWorks permanently restricted revolving loan fund is summarized in the supplementary schedules accompanying the financial statements. In addition, Homeport received temporarily restricted funding of \$240,000 and \$0 during 2017 and 2016 that is restricted until first use which is disclosed in Note 15. The grant funds are recorded as restricted until used in accordance with an eligible purpose.

For the year ended December 31, 2017, \$300,000 of capital funds were released by NWA to unrestricted and for the year ended December 31, 2016, \$0 of capital funds were released by NWA to unrestricted.

17. CONTRIBUTIONS:

Contributions as reported in the statements of operations were received from the following sources for the year ended December 31:

	<u>2017</u>	<u>2016</u>
Individuals	\$ 42,318	410,280
Corporations	691,320	460,685
Foundations	<u>368,121</u>	<u>483,600</u>
	\$ <u>1,101,759</u>	<u>1,354,565</u>

18. LOSS ON SALE OF PROPERTIES HELD FOR SALE:

The Organization has reported government grants used for gap subsidy on sold properties as support on the statements of operations. The revenue is recorded separate from the loss incurred from the sale. The following schedule compares the gap subsidy reported as government grants and contribution revenue from donated single family homes against the loss on sale:

	<u>2017</u>	<u>2016</u>
Gap subsidy reported as government grants	\$ 545,497	471,658
Loss on sale of properties held for sale	<u>(769,361)</u>	<u>(717,934)</u>
Loss on sale of properties held for sale, net of subsidy	\$ <u>(223,864)</u>	<u>(246,276)</u>

Homeport recognized single family development fees of \$317,444 and \$344,509 in 2017 and 2016, respectively related to the above sales.

19. GAIN ON SALE:

For the year ended December 31, 2016 the Organization had gross sales proceeds from the sale of ownership interests in rental properties and an office building of \$3,892,968 and net realized gains of \$1,979,326. The table below reflects the sales activity for the year ended December 31, 2016

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<u>Property</u>	<u>Sale date</u>	<u>Realized Gain</u>
562 E. Main Street Columbus, Ohio	09/20/16	\$ 490,279
Barrett	11/23/16	356,090
Starr High	12/31/16	<u>1,132,957</u>
		\$ <u>1,979,326</u>

20. FUTURE MINIMUM RENTS:

The Organization rents office space under multi-year leases. The lessees have payment obligations through 2022. Many of the leases provide for escalations over the terms of the lease. Minimum lease payments to be received under long-term commercial leases assuming no expiring leases are renewed as of December 31, 2017 were as follows:

2018	\$	209,672
2019		213,458
2020		217,337
2021		182,236
2022		16,817
Thereafter		-
Total	\$	<u>839,520</u>

21. DEFERRED COMPENSATION PLAN:

Homeport maintains a 403(b) deferred compensation plan (the Plan) for all employees who have met the minimum age and service requirements. Homeport matches eligible employee deferrals. Employees may contribute to the Plan the lesser of up to 15% of their salary or the statutory maximum. Homeport's profit sharing contributions to the Plan are discretionary. Homeport contributed \$34,943 and \$32,369 to the Plan in 2017 and 2016, respectively.

22. FUNCTIONAL CLASSIFICATIONS:

Following is a schedule of expenses by function for the year ended December 31, 2017:

	Real Estate	Community	Housing	Total			
	<u>Development</u>	<u>Life</u>	<u>Advisory</u>	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,026,969	416,141	370,381	1,813,491	945,287	178,386	2,937,164
Benefits and payroll taxes	225,757	94,570	72,583	392,910	193,465	36,516	622,891
Office	85,559	23,497	18,753	127,809	42,772	-	170,581
Client assistance	50,073	88,132	80,769	218,974	60	-	219,034
Professional and other contracts	80,519	45,135	25,055	150,709	60,786	-	211,495
Occupancy	3,558,908	6,023	4,352	3,569,283	10,916	-	3,580,199
Insurance	432,863	9,634	8,144	450,641	18,289	-	468,930
Travel and training	37,030	25,727	28,931	91,688	28,539	-	120,227
Advertising and marketing	42,678	23,872	30,178	96,728	10,933	40,421	148,082
Interest	1,443,418	3,898	6,372	1,453,688	19,557	-	1,473,245
Depreciation and amortization	1,276,442	2,257	3,133	1,281,832	10,032	-	1,291,864
Miscellaneous	<u>2,088,212</u>	<u>91,763</u>	<u>5,139</u>	<u>2,185,114</u>	<u>(2,489)</u>	<u>-</u>	<u>2,182,625</u>
Total	\$ <u>10,348,428</u>	<u>830,649</u>	<u>653,790</u>	<u>11,832,867</u>	<u>1,338,147</u>	<u>255,323</u>	<u>13,426,337</u>

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Following is a schedule of expenses by function for the year ended December 31, 2016:

	Real Estate <u>Development</u>	Community <u>Life</u>	Housing <u>Advisory</u>	Total <u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,228,879	439,523	420,133	2,088,535	1,069,385	183,145	3,341,065
Benefits and payroll taxes	255,166	124,848	80,707	460,721	56,661	31,885	549,267
Office	71,767	28,552	39,098	139,417	48,113	-	187,530
Client assistance	38,776	198,584	176,504	413,864	1,190	-	415,054
Professional and other contracts	84,228	26,026	27,488	137,742	129,898	-	267,640
Occupancy	2,829,700	69,118	59,679	2,958,497	142,036	-	3,100,533
Insurance	462,161	9,890	9,408	481,459	16,546	-	498,005
Travel and training	40,219	22,733	24,322	87,274	12,606	-	99,880
Advertising and marketing	76,788	43,911	12,605	133,304	37,847	60,320	231,471
Interest	1,563,170	3,919	6,407	1,573,496	24,004	-	1,597,500
Depreciation and amortization	1,254,494	4,197	6,736	1,265,427	20,588	-	1,286,015
Miscellaneous	2,583,112	11,100	7,850	2,602,062	87,527	-	2,689,589
Total	\$ <u>10,488,460</u>	<u>982,401</u>	<u>870,937</u>	<u>12,341,798</u>	<u>1,646,401</u>	<u>275,350</u>	<u>14,263,549</u>

The costs of providing the various programs and activities have been summarized on a functional basis above. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

23. OPERATING LEASES:

As of December 31, 2017 Homeport was obligated under two non-cancelable operating leases for equipment requiring annual payments of \$49,174 through 2019.

Rental expense on non-cancelable leases at December 31, 2017 and 2016 was approximately \$48,000.

24. COMMITMENTS AND CONTINGENCIES:

Homeport issues a variety of guarantees in the course of developing tax credit properties. The guarantees are generally issued in favor of entity investors or lenders. If Homeport was required to honor the guarantees, generally it would be entitled to treat the advances as loans to the respective entities. There is currently no recorded liability for potential losses under these guarantees, nor is there any liability for the Organization's obligation to "stand ready" to fund such guarantees. Based on information gathered as part of its monitoring of risks, the Organization believes there is only a remote possibility that the Organization will be required to perform under these guarantees.

Operating deficit guarantees

Homeport has entered into various operating deficit guarantee agreements, whereby it will advance funds to certain affiliated limited partnerships' business. Total amounts guaranteed under operating deficit guarantee and pledge reserve agreements at December 31, 2017 and 2016 amounted to approximately \$2,570,000 and \$2,560,000, respectively.

Construction loan repayment and completion guarantees

Homeport has provided repayment guarantees for construction loans used for the development of tax credit properties. Homeport has also provided construction completion guarantees. There are no significant completion delays in current Homeport developments. To date, Homeport has not experienced non-completion of a project, nor has it been called on for any loan repayment guarantee. Construction loan repayment and completion guarantees as of December 31, 2017 and 2016 were approximately \$24,600,000 and \$21,000,000 respectively.

Tax benefit guarantees

As the sponsor or developer of certain properties financed in part by federal tax credit allocations, Homeport has made certain guarantees to investors as to the tax credits and other benefits to be derived from the properties. These guarantees generally cover the tax compliance periods of fifteen years after initial lease up. In the opinion of management, compliance with tax regulations and careful monitoring of the properties should preclude these contingent liabilities from materializing. To date, Homeport has not experienced any calls on these guarantees. Tax benefit guarantees as of December 31, 2017 and 2016 were approximately \$48,130,000 and \$38,500,000, respectively.

Contingencies

Certain rental properties of Homeport have deferred first and second mortgage notes from the City of Columbus and the State of Ohio. The terms of the mortgage notes provide for repayment of \$2,859,500 in principal and \$6,331,293 in deferred and unpaid interest at December 31, 2017. The mortgage notes were assumed through business combinations and valued at the debts fair value at the time of acquisition. The fair value of the debt was determined based on cash flow projections of the property, management's intent on holding the property and the collaterals' fair value. The carrying value of these mortgage notes at December 31, 2017 was \$3,698,205.

Under the terms of Homeport's grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. It is the opinion of management that such reimbursements, if any, would not have a material effect on Homeport's financial statements.

25. RELATED PARTY TRANSACTIONS:

Homeport earned income of \$1,406,257 and \$967,715 for the years ended December 31, 2017 and 2016, respectively, to related tax credit projects of which Homeport has an ownership interest. Fees receivable from these entities as detailed in Note 4 was \$1,986,490 and \$2,287,133 as of December 31, 2017 and 2016, respectively. As disclosed in Note 11, Homeport has an unsecured loan from Central City Development Fund I, LLC of which Homeport maintains a noncontrolling ownership interest. Notes receivable owed by COHDO as of December 31, 2017 and 2016 amounted to \$1,131,682.

26. BUSINESS COMBINATIONS:

During 2017, Homeport acquired the limited partner interests in Joyce Avenue Homes Limited Partnership and South East Columbus Homes Limited Partnership. The acquisitions were accounted for in accordance with accounting guidance regarding *Business Combinations* and recorded the acquired tangible and identified intangible assets and liabilities, if any, based on their estimated fair values. Homeport recognized a net loss of \$50,045 relating to the acquisition of the limited partnerships as the carrying value exceeded the net assets acquired. The following summarizes the estimated fair value of the net assets acquired at the date of acquisition with reconciliation to net loss.

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	<u>Joyce Avenue</u>	<u>South East Columbus</u>	<u>Total</u>
Land	\$ 25,731	26,457	52,188
Building as vacant	1,276,509	1,370,043	2,646,552
Cash	487	63,433	63,920
Other assets	226,508	90,987	317,495
Liabilities assumed	<u>(1,353,764)</u>	<u>(1,462,726)</u>	<u>(2,816,490)</u>
Net assets acquired	175,471	88,194	263,665
Acquisition date carrying value	<u>(34,546)</u>	<u>348,256</u>	<u>313,710</u>
Carrying value in excess of fair value of net assets acquired, net	\$ <u>210,017</u>	<u>(260,062)</u>	<u>(50,045)</u>

During 2016, Homeport purchased the limited partner interests in Greater Linden Homes Limited Partnership, Kingsford Homes Limited Partnership and NHSS L.P. The acquisitions were accounted for in accordance with accounting guidance regarding *Business Combinations* and recorded the acquired tangible and identified intangible assets and liabilities, if any, based on their estimated fair values. Homeport recognized a net loss of \$178,329 relating to the acquisition of the limited partnerships as the carrying value exceeded the net assets acquired. The following summarizes the estimated fair value of the net assets acquired at the date of acquisition with reconciliation to net loss.

	<u>Greater Linden</u>	<u>Kingsford</u>	<u>NHSS</u>
Land	\$ 7,231	33,160	-
Building as vacant	1,100,113	1,525,834	1,094,620
Cash	8,196	59,789	-
Other assets	244,926	304,300	39,067
Liabilities assumed	<u>(1,168,001)</u>	<u>(1,535,872)</u>	<u>(1,133,687)</u>
Net assets acquired	192,465	387,211	-
Acquisition date carrying value	<u>305,540</u>	<u>218,622</u>	<u>233,843</u>
Carrying value in excess of fair value of net assets acquired, net	\$ <u>(113,075)</u>	<u>168,589</u>	<u>(233,843)</u>

27. FAIR VALUE MEASUREMENTS:

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are based on significant other observable inputs.

Level 3 inputs are based on significant unobservable inputs.

<u>Recurring fair value measurements</u>	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>12/31/2017</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets:				
Investments held by Columbus Foundation	\$ <u>127,186</u>	<u>127,186</u>	<u>-</u>	<u>-</u>
Liabilities:				
Interest rate swaps	\$ <u>64,909</u>	<u>-</u>	<u>64,909</u>	<u>-</u>

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	<u>12/31/2016</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets:				
Investments held by Columbus Foundation	\$ <u>113,519</u>	<u>113,519</u>	<u>-</u>	<u>-</u>
Liabilities:				
Interest rate swaps	\$ <u>108,552</u>	<u>-</u>	<u>108,552</u>	<u>-</u>

Investments have been valued using a market approach (Level 1). The valuation of interest rate swaps are measured using the income approach with significant other observable inputs (Level 2). The fair value is determined by comparing the estimated present value of the future fixed rate interest payments expected to be paid by Homeport to the bank versus the present value of the future variable rate interest payments expected to be paid by the bank to Homeport over the life of the swap agreements. The estimate of the future variable rates was derived from the interest rate futures market as of December 31, 2017 by taking the observable values of LIBOR futures contracts. The valuations are calculated on a basis different from those which would be used to calculate amounts payable upon a voluntary or involuntary early termination or assignment.

<u>Nonrecurring fair value measurements</u>	<u>12/31/2017</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets:				
Acquired property	\$ <u>2,705,971</u>	<u>-</u>	<u>2,705,971</u>	<u>-</u>
<u>12/31/2016</u>				
Assets:				
Acquired property	\$ <u>3,760,958</u>	<u>-</u>	<u>3,760,958</u>	<u>-</u>

Apartment properties acquired through a business combination are valued based on an independent third party appraised value which uses anticipated income from the property and converting it into an opinion of present value using an industry acceptable capitalization rate. Housing units acquired that are classified as held for sale are valued based on the estimated selling price less anticipated selling costs.

There were no changes in valuation techniques during 2017 and 2016.

28. SUBSEQUENT EVENTS:

Subsequent to December 31, 2017, 68 housing units (Joyce Avenue and South East Columbus) with a carrying value of \$2,698,740 were classified as held for sale.

The Community Housing Capital line of credit has been fully repaid and extinguished as of the report date. The Organization is currently in negotiations with the lender for a new line of credit with a lower credit limit.

The line of credit with NeighborWorks Capital Corporation was repaid in full as of the February 2018 maturity date.

Supplementary Information

Columbus Housing Partnership, Inc. and Affiliates
 dba Homeport
 Consolidating Schedules of Financial Position
 December 31, 2017

	Homeport		CHP Agler	For Sale	Rental Properties	Other controlled entities	Eliminations	Consolidated
	HP Division	HHO						
Current assets:								
Cash	3,667,592	1,370,319	71,601	155,628	982,715	69,914	-	6,317,769
Receivables:								
Fees receivable, net	650,000	-	-	-	-	-	-	650,000
Grants receivable	132,474	5,000	-	489,554	-	-	-	627,028
Other receivables	60,029	180,089	246,453	14,049	108,486	-	-	609,106
Intercompany receivable	-	988,800	30,581	-	-	-	(1,019,381)	-
Prepaid expenses	13,977	-	-	59,101	724,642	-	-	797,720
Total current assets	4,524,072	2,544,208	348,635	718,332	1,815,843	69,914	(1,019,381)	9,001,623
Property and equipment:								
Office buildings, net	39,829	-	2,475,970	-	-	-	-	2,515,799
Rental properties, net	-	-	-	3,155,137	19,111,805	-	-	22,266,942
Properties held for sale	-	373,825	-	1,931,992	-	-	-	2,305,817
Construction in progress	38,615	230,470	-	-	-	528,955	-	798,040
Total property and equipment	78,444	604,295	2,475,970	5,087,129	19,111,805	528,955	-	27,886,598
Noncurrent assets:								
Restricted cash	2,332,565	24,069	67,831	849,733	5,596,479	-	-	8,870,677
Fees receivable, net	764,919	-	-	-	-	-	(207,632)	557,287
Notes receivable, net	13,501,946	1,494,363	-	-	-	-	(1,606,448)	13,389,861
Related party receivables, net	1,240,969	170,513	-	-	-	-	(1,081,387)	330,095
Investments	127,186	-	-	-	-	-	-	127,186
Deposits	(3,100)	14,929	-	-	-	-	-	11,829
Investment in unconsolidated entities	9,116,713	-	-	-	-	-	432,391	9,549,104
Total noncurrent assets	27,081,198	1,703,874	67,831	849,733	5,596,479	-	(2,463,076)	32,886,039
Total assets	\$ 31,683,714	4,852,377	2,892,436	6,655,194	26,524,127	598,869	(3,482,457)	69,724,260

Columbus Housing Partnership, Inc. and Affiliates
dba Homeport
Consolidating Schedules of Financial Position (Continued)
December 31, 2017

	Homeport		CHP Agler	For Sale	Rental Properties	Other controlled entities	Eliminations	Consolidated
	HP Division	HHO						
\$								
Current liabilities:								
Lines of credit	25,000	339,055	-	-	-	-	-	364,055
Conditional notes payable, current	491,024	173,547	-	372,850	-	-	-	1,037,421
Long-term debt, current	-	-	72,123	449,263	1,977,868	150,000	-	2,649,254
Accounts payable	182,419	24,420	1,700	61,817	335,114	(8,777)	(207,632)	389,061
Intercompany payable	1,002,615	116,067	782,709	92,959	106,418	-	-	-
Accrued expenses	199,544	252,456	13,191	147,687	598,147	2,163	-	1,213,188
Accrued interest payable	-	-	9,289	9,192	82,037	-	-	100,518
Deferred grant advances	-	30,000	-	-	-	-	-	30,000
Deferred revenue	180,915	15,639	-	-	-	-	-	196,554
Total current liabilities	2,081,517	951,184	879,012	1,133,768	3,099,584	143,386	(2,308,400)	5,980,051
Long-term liabilities:								
Security and warranty deposits	-	1,750	17,446	89,969	231,224	-	-	340,389
Accrued interest payable	1,110,324	-	-	1,292,783	1,527,756	823	-	3,931,686
Deferred grant advances, State of Ohio	557,996	-	-	-	-	-	-	557,996
Conditional notes payable	11,214,197	-	-	-	3,316,965	-	-	14,531,162
Long-term debt	1,401,482	1,980,953	1,919,023	3,467,869	20,356,632	467,000	(1,606,448)	27,986,511
Less: unamortized debt issuance costs	-	-	(57,916)	(10,378)	(683,537)	(12,340)	-	(764,171)
Obligation under interest rate swap	-	-	43,414	-	21,495	-	-	64,909
Total long-term liabilities	14,283,999	1,982,703	1,921,967	4,840,243	24,770,535	455,483	(1,606,448)	46,648,482
Total liabilities	16,365,516	2,933,887	2,800,979	5,974,011	27,870,119	598,869	(3,914,848)	52,628,533
Net assets (deficit):								
Unrestricted	6,497,047	1,918,490	91,457	681,183	(1,345,992)	-	432,391	8,274,576
Temporarily restricted	6,893,090	-	-	-	-	-	-	6,893,090
Permanently restricted	1,928,061	-	-	-	-	-	-	1,928,061
Total net assets (deficit)	15,318,198	1,918,490	91,457	681,183	(1,345,992)	-	432,391	17,095,727
Total liabilities and net assets	\$ 31,683,714	4,852,377	2,892,436	6,655,194	26,524,127	598,869	(3,482,457)	69,724,260

Columbus Housing Partnership, Inc. and Affiliates
 dba Homeport
 Consolidating Schedules of Operations
 Year Ended December 31, 2017

	Homeport		CHP Agler	For Sale	Rental Properties	Other controlled entities	Eliminations	Consolidated
	HP Division	HHO						
Change in net assets from operations:								
Support:								
Government grants	787,225	597,996	-	-	-	-	-	1,385,221
Contributions	1,098,075	1,404	2,280	-	-	-	-	1,101,759
	<u>1,885,300</u>	<u>599,400</u>	<u>2,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,486,980</u>
Revenues:								
Loss on sale of properties held for sale	(127,584)	(607,754)	-	(34,023)	-	-	-	(769,361)
Development fees	970,031	317,444	-	-	-	-	-	1,287,475
Rental	5	-	462,958	509,465	7,595,244	-	(318,456)	8,249,216
Fees and other revenue	948,377	-	2,174	-	-	-	(554,905)	395,646
	<u>1,790,829</u>	<u>(290,310)</u>	<u>465,132</u>	<u>475,442</u>	<u>7,595,244</u>	<u>-</u>	<u>(873,361)</u>	<u>9,162,976</u>
Total support and revenues	<u>3,676,129</u>	<u>309,090</u>	<u>467,412</u>	<u>475,442</u>	<u>7,595,244</u>	<u>-</u>	<u>(873,361)</u>	<u>11,649,956</u>
Expenses:								
Program, administration and other	4,759,409	515,022	271,961	-	-	-	(318,456)	5,227,936
Rental	(3)	-	-	468,976	6,155,733	-	(554,905)	6,069,801
Total expenses	<u>4,759,406</u>	<u>515,022</u>	<u>271,961</u>	<u>468,976</u>	<u>6,155,733</u>	<u>-</u>	<u>(873,361)</u>	<u>11,297,737</u>
Change in net assets from operations before interest expense	(1,083,277)	(205,932)	195,451	6,466	1,439,511	-	-	352,219
Less interest expense	<u>200,347</u>	<u>3,114</u>	<u>146,766</u>	<u>114,288</u>	<u>1,289,307</u>	<u>-</u>	<u>(280,577)</u>	<u>1,473,245</u>
Change in net assets from operations before depreciation expense	(1,283,624)	(209,046)	48,685	(107,822)	150,204	-	280,577	(1,121,026)
Less depreciation expense	<u>19,105</u>	<u>1,531</u>	<u>77,597</u>	<u>25,021</u>	<u>1,168,610</u>	<u>-</u>	<u>-</u>	<u>1,291,864</u>
Change in net assets from operations before other operating income (expense)	<u>(1,302,729)</u>	<u>(210,577)</u>	<u>(28,912)</u>	<u>(132,843)</u>	<u>(1,018,406)</u>	<u>-</u>	<u>280,577</u>	<u>(2,412,890)</u>
Other operating income (expense):								
Unrealized gain/loss on interest rate swap	-	-	31,007	-	12,636	-	-	43,643
Carrying value in excess of fair value of net assets acquired, net	(50,045)	-	-	-	-	-	-	(50,045)
Investment income	513,496	-	-	-	-	-	(280,577)	232,919
Equity in income of unconsolidated entities	462,411	-	-	-	-	-	-	462,411
Excess distributions from unconsolidated entities	224,143	-	-	-	-	-	-	224,143
Total other operating income (expense), net	<u>1,150,005</u>	<u>-</u>	<u>31,007</u>	<u>-</u>	<u>12,636</u>	<u>-</u>	<u>(280,577)</u>	<u>913,071</u>
Change in net assets from operations	<u>(152,724)</u>	<u>(210,577)</u>	<u>2,095</u>	<u>(132,843)</u>	<u>(1,005,770)</u>	<u>-</u>	<u>-</u>	<u>(1,499,819)</u>

Columbus Housing Partnership, Inc. and Affiliates
dba Homeport
Consolidating Schedules of Changes in Net Assets
Year Ended December 31, 2017

	Homeport		CHP Agler	For Sale	Rental Properties	Other controlled entities	Eliminations	Consolidated
	HP Division	HHO						
Change in unrestricted net assets:								
Unrestricted net assets, beginning of year	\$ 6,926,399	2,129,067	89,362	550,383	(254,160)	-	(159,414)	9,281,637
Change in net assets from operations	(152,724)	(210,577)	2,095	(132,843)	(1,005,770)	-	-	(1,499,819)
Earnings on consolidated entities	(769,386)	-	-	263,643	-	-	505,743	-
Purpose restricted contributions, released from restrictions	300,000	-	-	-	-	-	-	300,000
Time restricted grants, released from restrictions	192,758	-	-	-	-	-	-	192,758
Change in unrestricted net assets	(429,352)	(210,577)	2,095	130,800	(1,005,770)	-	505,743	(1,007,061)
Unrestricted net assets, end of year	\$ 6,497,047	1,918,490	91,457	681,183	(1,259,930)	-	346,329	8,274,576
Change in temporarily restricted net assets:								
Temporarily restricted net assets, beginning of year	\$ 6,845,848	-	-	-	-	-	-	6,845,848
NeighborWorks America grant, purpose restricted	240,000	-	-	-	-	-	-	240,000
Net assets released from restrictions	(192,758)	-	-	-	-	-	-	(192,758)
Change in temporarily restricted net assets	47,242	-	-	-	-	-	-	47,242
Temporarily restricted net assets, end of year	\$ 6,893,090	-	-	-	-	-	-	6,893,090
Change in permanently restricted net assets:								
Permanently restricted net assets, beginning of year	\$ 2,228,061	-	-	-	-	-	-	2,228,061
Net assets released from restrictions	(300,000)	-	-	-	-	-	-	(300,000)
Change in permanently restricted net assets	(300,000)	-	-	-	-	-	-	(300,000)
Permanently restricted net assets, end of year	\$ 1,928,061	-	-	-	-	-	-	1,928,061
Total net assets, beginning of year	\$ 16,000,308	2,129,067	89,362	550,383	(254,160)	-	(159,414)	18,355,546
Distributions	-	-	-	-	(86,062)	-	86,062	-
Change in unrestricted net assets	(429,352)	(210,577)	2,095	130,800	(1,005,770)	-	505,743	(1,007,061)
Change in temporarily restricted net assets	47,242	-	-	-	-	-	-	47,242
Change in permanently restricted net assets	(300,000)	-	-	-	-	-	-	(300,000)
Change in total net assets	(682,110)	(210,577)	2,095	130,800	(1,091,832)	-	591,805	(1,259,819)
Total net assets, end of year	\$ 15,318,198	1,918,490	91,457	681,183	(1,345,992)	-	432,391	17,095,727

Columbus Housing Partnership, Inc. and Affiliates
dba Homeport
Consolidating Schedules of Cash Flows
Year Ended December 31, 2017

	Homeport		Agler	For Sale	Rental Properties	Other controlled entities	Eliminations	Consolidated
	HP Division	HHO						
Cash flows from operating activities:								
Change in total net assets	\$ (682,110)	(210,577)	2,095	130,800	(1,005,770)	-	505,743	(1,259,819)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:								
Depreciation	19,105	1,531	77,597	25,021	1,168,610	-	-	1,291,864
Amortization of debt issuance costs	-	35,194	1,616	266	35,266	-	-	72,342
Loss on consolidation	50,045	-	-	(263,643)	-	-	263,643	50,045
Loss on properties held for sale	127,584	607,754	-	34,023	-	-	-	769,361
Provision for losses on receivables	192,816	86,474	-	-	-	-	-	279,290
Equity in income of unconsolidated entities	306,975	-	-	-	-	-	(769,386)	(462,411)
Restricted funding	-	(240,000)	-	-	-	-	-	(240,000)
Effect of changes in operating assets and liabilities:								
Receivables	61,301	121,350	(72,677)	65,190	105,585	-	43,617	324,366
Prepaid expenses and deposits	(13,977)	-	4,477	(12,630)	22,307	-	-	177
Accounts payable and accrued expenses	(395,851)	(58,221)	(5,544)	(2,767)	(116,847)	(7,258)	-	(586,488)
Intercompany receivable	-	(2,776)	45,234	-	-	-	(42,458)	-
Distribution to Homeport	-	-	-	-	(86,062)	-	86,062	-
Intercompany payable	-	10,567	(9,295)	-	-	(113)	-	-
Security and warranty deposits	-	(2,250)	5,129	(5,908)	(2,443)	-	-	(5,472)
Accrued interest payable	71,631	-	378	(2,254)	68,368	(395)	-	137,728
Deferred revenue and grant advances	19,735	29,999	-	(51,891)	-	-	-	(2,157)
Interest rate swap obligation	-	-	(31,007)	-	(12,636)	-	-	(43,643)
Net cash provided by (used in) operating activities	(242,746)	379,045	18,003	(83,793)	176,378	(7,766)	86,062	325,183
Cash flows from investing activities:								
Cash received in consolidation	-	-	-	63,920	-	-	-	63,920
Change in restricted cash	(151,393)	(3,204)	(67,831)	(3,503)	787,828	-	-	561,897
Change in investments	(13,667)	-	-	-	-	-	-	(13,667)
Investment in unconsolidated entities	(173,039)	-	-	-	-	-	133,938	(39,101)
Distributions from Barrett	931,146	-	-	-	-	-	-	931,146
Proceeds from the sale of properties held for sale	-	871,211	-	278,060	-	-	-	1,149,271
Purchase of real estate and rehabilitation costs	-	(1,372,120)	-	-	-	-	-	(1,372,120)
Advance on note receivable	(18,000)	-	-	-	-	-	-	(18,000)
Proceeds from repayment of notes receivable	1,425,528	54,271	-	-	-	-	(840,912)	638,887
Purchase of property and equipment	(123,497)	28,891	(76,866)	-	(391,699)	(393,362)	-	(956,533)
Net cash provided by (used in) investing activities	1,877,078	(420,951)	(144,697)	338,477	396,129	(393,362)	(706,974)	945,700

Columbus Housing Partnership, Inc. and Affiliates
 dba Homeport
 Consolidating Schedules of Cash Flows - Continued
 Year Ended December 31, 2017

	Homeport		Agler	For Sale	Rental Properties	Other controlled entities	Eliminations	Consolidated
	HP Division	HHO						
Cash flows from financing activities:								
Purchase of financing costs	-	23,576	(5,199)	(10,644)	-	(12,340)	-	(4,607)
Proceeds (repayment) on lines of credit	(375,000)	88,822	-	-	-	-	-	(286,178)
Proceeds from restricted funding	-	240,000	-	-	-	-	-	240,000
Repayment of conditional notes payable	(468,687)	2,887	-	-	-	-	300,000	(165,800)
Proceeds from long-term debt	-	-	188,908	611,000	-	-	-	799,908
Repayment of long-term debt	(16,919)	-	(68,067)	(851,088)	(776,920)	467,000	320,912	(925,082)
Net cash provided by (used in) financing activities	(860,606)	355,285	115,642	(250,732)	(776,920)	454,660	620,912	(341,759)
Net increase (decrease) in cash	773,726	313,379	(11,052)	3,952	(204,413)	53,532	-	929,124
Cash, beginning of year	2,893,866	1,056,940	82,653	151,676	1,187,128	16,382	-	5,388,645
Cash, end of year	3,667,592	1,370,319	71,601	155,628	982,715	69,914	-	6,317,769

Columbus Housing Partnership, Inc. and Affiliates
dba Homeport
Consolidating Schedules of Expenses
Year Ended December 31, 2017

	Homeport			Other controlled entities	Eliminations	2017		2016	
	HP Division	HHO	CHP Agler			For Sale	Properties	Consolidated	Total
Program, administration and other:									
Salaries	2,718,754	218,409	-	-	-	-	2,937,163	3,341,064	
Payroll taxes	173,437	25,012	-	-	-	-	198,449	82,747	
Fringe benefits	392,440	32,001	-	-	-	-	424,441	466,521	
	<u>3,284,631</u>	<u>275,422</u>	-	-	-	-	<u>3,560,053</u>	<u>3,890,332</u>	
Program related expenses	185,905	33,130	-	-	-	-	219,035	415,054	
Office	44,640	4,267	38,590	-	-	-	87,497	104,791	
Repairs and maintenance	-	-	106,361	-	-	-	106,361	42,325	
Occupancy	322,678	28,942	69,879	-	(318,456)	-	103,043	107,237	
Minor equipment	46,195	4,415	-	-	-	-	50,610	50,077	
Dues and publications	24,790	2,586	-	-	-	-	27,376	35,015	
Professional fees	68,529	5,951	6,457	-	-	-	80,937	112,463	
Accounting and legal	61,494	8,751	8,729	-	-	-	78,974	103,593	
Printing and postage	4,807	292	-	-	-	-	5,099	8,440	
Insurance	46,943	4,318	9,188	-	-	-	60,449	63,821	
Other expenses	114,542	2,257	32,757	-	-	-	149,556	(10,793)	
Marketing and advertising	130,140	13,242	-	-	-	-	143,382	227,740	
Development costs	57,794	1,698	-	-	-	-	59,492	60,792	
Loan fees	5,020	35,251	-	-	-	-	40,271	19,825	
Travel, conferences and training	112,419	7,808	-	-	-	-	120,227	99,880	
Bad debt expense	192,816	86,474	-	-	-	-	279,290	119,083	
Fundraising related expenses	4,482	218	-	-	-	-	4,700	3,731	
In-kind expenses	51,584	-	-	-	-	-	51,584	51,584	
Total program, admin & other	<u>4,759,409</u>	<u>515,022</u>	<u>271,961</u>	-	<u>(318,456)</u>	-	<u>5,227,936</u>	<u>5,504,990</u>	
Rental:									
Maintenance	-	-	-	202,874	2,234,800	-	2,437,674	2,046,598	
Utilities	-	-	-	3,823	929,297	-	933,120	904,373	
Real estate taxes	(3)	-	-	66,247	570,959	-	637,203	637,249	
Administrative and other	-	-	-	154,595	2,053,634	-	1,653,324	1,581,551	
Insurance	-	-	-	41,437	367,043	-	408,480	434,184	
Total rental	<u>(3)</u>	-	-	<u>468,976</u>	<u>6,155,733</u>	-	<u>6,069,801</u>	<u>5,603,955</u>	
Interest expense	200,347	3,114	146,766	114,288	1,289,307	-	1,473,245	1,597,500	
Depreciation expense	19,105	1,531	77,597	25,021	1,168,610	-	1,291,864	1,286,015	
Other operating expense:									
Equity in losses of unconsolidated entities	(686,554)	-	-	-	-	-	(686,554)	6,228	
Carrying value in excess of fair value net assets acquired	50,045	-	-	-	-	-	50,045	178,329	
Bad debt expense	-	-	-	-	-	-	-	86,532	
Total other operating expense	<u>(636,509)</u>	-	-	-	-	-	<u>(636,509)</u>	<u>271,089</u>	
Total expense	<u>\$ 4,342,349</u>	<u>519,667</u>	<u>496,324</u>	<u>608,285</u>	<u>8,613,650</u>	<u>(1,153,938)</u>	<u>13,426,337</u>	<u>14,263,549</u>	

Columbus Housing Partnership, Inc. and Affiliates
 dba Homeport
 Consolidating Schedules of Financial Position
 December 31, 2016

	Homeport		CHP Agler	For Sale	Rental Properties	Other controlled entities	Eliminations	Consolidated
	HP Division	HHO						
Current assets:								
Cash	\$ 2,893,866	1,056,940	82,653	151,676	1,187,128	16,382	-	5,388,645
Receivables:								
Fees receivable, net	873,128	-	-	-	-	-	-	873,128
Grants receivable	53,192	3,000	-	552,193	-	-	-	608,385
Other receivables	201,783	376,805	173,776	8,769	214,071	-	-	975,204
Intercompany receivable	-	986,024	75,815	-	-	-	(1,061,839)	-
Prepaid expenses	-	-	-	25,452	746,949	-	-	772,401
Total current assets	4,021,969	2,422,769	332,244	738,090	2,148,148	16,382	(1,061,839)	8,617,763
Property and equipment:								
Office buildings, net	55,687	-	2,476,701	-	-	-	-	2,532,388
Rental properties, net	-	-	-	2,666,836	19,888,716	-	-	22,555,552
Properties held for sale	-	71,793	-	58,657	-	-	-	130,450
Construction in progress	45,949	669,769	-	-	-	135,593	-	851,311
Total property and equipment	101,636	741,562	2,476,701	2,725,493	19,888,716	135,593	-	26,069,701
Noncurrent assets:								
Restricted cash	2,181,172	20,865	-	557,051	6,384,307	-	-	9,143,395
Fees receivable, net	862,167	-	-	-	-	-	(263,913)	598,254
Notes receivable, net	15,484,474	1,548,634	-	-	-	-	(2,502,360)	14,530,748
Related party receivables, net	1,112,238	183,621	-	-	-	-	(1,051,168)	244,691
Investments	113,519	-	-	-	-	-	-	113,519
Deposits	(3,100)	14,929	4,477	-	-	-	-	16,306
Investment in unconsolidated entities	10,231,840	-	-	-	-	-	(159,414)	10,072,426
Total noncurrent assets	29,982,310	1,768,049	4,477	557,051	6,384,307	-	(3,976,855)	34,719,339
Total assets	\$ 34,105,915	4,932,380	2,813,422	4,020,634	28,421,171	151,975	(5,038,694)	69,406,803

Columbus Housing Partnership, Inc. and Affiliates
dba Homeport
Consolidating Schedules of Financial Position (Continued)
December 31, 2016

	Homeport			CHP Agler	For Sale	Rental Properties	Other controlled entities	Eliminations	Consolidated
	HP Division	HHO							
\$									
Current liabilities:									
Lines of credit	-	250,233	-	-	-	-	-	-	250,233
Conditional notes payable, current	491,711	170,660	-	473,035	-	-	-	-	1,135,406
Long-term debt, current	-	-	68,067	1,384,134	458,997	-	-	-	1,911,198
Accounts payable	415,249	23,584	20,435	77,808	469,691	644	(339,728)	-	667,683
Intercompany payable	999,839	105,500	792,004	92,959	46,777	113	(2,037,192)	-	-
Accrued expenses	365,341	311,513	-	60,858	640,058	-	-	-	1,377,770
Accrued interest payable	-	-	8,911	5,140	88,019	-	-	-	102,070
Deferred revenue	116,513	15,640	-	51,891	-	-	-	-	184,044
Total current liabilities	<u>2,388,653</u>	<u>877,130</u>	<u>889,417</u>	<u>2,145,825</u>	<u>1,703,542</u>	<u>757</u>	<u>(2,376,920)</u>		<u>5,628,404</u>
Long-term liabilities:									
Security and warranty deposits	-	4,000	12,317	58,178	233,667	-	-	-	308,162
Accrued interest payable	1,038,693	-	-	723,147	1,453,406	1,218	-	-	3,216,464
Deferred grant advances, State of Ohio	602,663	-	-	-	-	-	-	-	602,663
Line of credit	400,000	-	-	-	-	-	-	-	400,000
Conditional notes payable	12,257,197	-	-	-	2,744,500	-	-	-	15,001,697
Long-term debt	1,418,401	1,980,953	1,802,238	543,101	23,224,888	150,000	(2,502,360)	-	26,617,221
Less: unamortized debt issuance costs	-	(58,770)	(54,333)	-	(718,803)	-	-	-	(831,906)
Obligation under interest rate swap	-	-	74,421	-	34,131	-	-	-	108,552
Total long-term liabilities	<u>15,716,954</u>	<u>1,926,183</u>	<u>1,834,643</u>	<u>1,324,426</u>	<u>26,971,789</u>	<u>151,218</u>	<u>(2,502,360)</u>		<u>45,422,853</u>
Total liabilities	<u>18,105,607</u>	<u>2,803,313</u>	<u>2,724,060</u>	<u>3,470,251</u>	<u>28,675,331</u>	<u>151,975</u>	<u>(4,879,280)</u>		<u>51,051,257</u>
Net assets (deficit):									
Unrestricted	6,926,399	2,129,067	89,362	550,383	(254,160)	-	(159,414)	-	9,281,637
Temporarily restricted	6,845,848	-	-	-	-	-	-	-	6,845,848
Permanently restricted	2,228,061	-	-	-	-	-	-	-	2,228,061
Total net assets (deficit)	<u>16,000,308</u>	<u>2,129,067</u>	<u>89,362</u>	<u>550,383</u>	<u>(254,160)</u>	<u>-</u>	<u>(159,414)</u>		<u>18,355,546</u>
Total liabilities and net assets	<u>\$ 34,105,915</u>	<u>4,932,380</u>	<u>2,813,422</u>	<u>4,020,634</u>	<u>28,421,171</u>	<u>151,975</u>	<u>(5,038,694)</u>		<u>69,406,803</u>

Columbus Housing Partnership, Inc. and Affiliates
dba Homeport
Consolidating Schedules of Operations
Year Ended December 31, 2016

	Homeport			CHP Agler	For Sale	Rental Properties	Other controlled entities	Eliminations	Consolidated
	HP Division	HHO							
Change in net assets from operations:									
Support:									
Government grants	947,413	504,658	-	-	-	-	-	-	1,452,071
Contributions	1,241,971	112,594	-	-	-	-	-	-	1,354,565
	<u>2,189,384</u>	<u>617,252</u>	-	-	-	-	-	-	<u>2,806,636</u>
Revenues:									
Loss on sale of properties held for sale	-	(717,934)	-	-	-	-	-	-	(717,934)
Development fees	782,915	344,509	-	-	-	-	-	-	1,127,424
Rental	83,072	-	417,551	302,982	7,619,742	-	(368,091)	(368,091)	8,055,256
Fees and other revenue	804,626	-	1,456	-	-	-	(367,850)	(367,850)	438,232
	<u>1,670,613</u>	<u>(373,425)</u>	<u>419,007</u>	<u>302,982</u>	<u>7,619,742</u>	<u>-</u>	<u>(735,941)</u>	<u>(735,941)</u>	<u>8,902,978</u>
Total support and revenues	<u>3,859,997</u>	<u>243,827</u>	<u>419,007</u>	<u>302,982</u>	<u>7,619,742</u>	<u>-</u>	<u>(735,941)</u>	<u>(735,941)</u>	<u>11,709,614</u>
Expenses:									
Program, administration and other	5,283,629	447,841	141,611	-	-	-	(368,091)	(368,091)	5,504,990
Rental	308	55	-	232,769	5,784,787	-	(413,964)	(413,964)	5,603,955
Total expenses	<u>5,283,937</u>	<u>447,896</u>	<u>141,611</u>	<u>232,769</u>	<u>5,784,787</u>	<u>-</u>	<u>(782,055)</u>	<u>(782,055)</u>	<u>11,108,945</u>
Change in net assets from operations before interest expense	<u>(1,423,940)</u>	<u>(204,069)</u>	<u>277,396</u>	<u>70,213</u>	<u>1,834,955</u>	<u>-</u>	<u>46,114</u>	<u>46,114</u>	<u>600,669</u>
Less interest expense	<u>202,560</u>	<u>7,472</u>	<u>143,422</u>	<u>34,091</u>	<u>1,209,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,597,500</u>
Change in net assets from operations before depreciation expense	<u>(1,626,500)</u>	<u>(211,541)</u>	<u>133,974</u>	<u>36,122</u>	<u>625,000</u>	<u>-</u>	<u>46,114</u>	<u>46,114</u>	<u>(996,831)</u>
Less depreciation expense	<u>39,543</u>	<u>3,303</u>	<u>69,447</u>	<u>-</u>	<u>1,173,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,286,015</u>
Change in net assets from operations before other operating income (expense)	<u>(1,666,043)</u>	<u>(214,844)</u>	<u>64,527</u>	<u>36,122</u>	<u>(548,722)</u>	<u>-</u>	<u>46,114</u>	<u>46,114</u>	<u>(2,282,846)</u>
Other operating income (expense):									
Gain on sale	1,979,326	-	-	-	-	-	-	-	1,979,326
Unrealized gain on interest rate swap	-	-	101,832	-	14,554	-	-	-	116,386
Carrying value in excess of fair value of net assets acquired, net	(178,329)	-	-	-	-	-	-	-	(178,329)
Investment income	27,931	-	-	-	-	-	-	-	27,931
Equity in losses of unconsolidated entities	(6,228)	-	-	-	-	-	-	-	(6,228)
Bad debt expense	(20,000)	(66,532)	-	-	-	-	-	-	(86,532)
Total other operating income (expense), net	<u>1,802,700</u>	<u>(66,532)</u>	<u>101,832</u>	<u>-</u>	<u>14,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,852,554</u>
Change in net assets from operations	<u>136,657</u>	<u>(281,376)</u>	<u>166,359</u>	<u>36,122</u>	<u>(534,168)</u>	<u>-</u>	<u>46,114</u>	<u>46,114</u>	<u>(430,292)</u>

Columbus Housing Partnership, Inc. and Affiliates
dba Homeport
Consolidating Schedules of Changes in Net Assets
Year Ended December 31, 2016

	Homeport		CHP Agler	For Sale	Rental Properties	Other controlled entities	Eliminations	Consolidated
	HP Division	HHO						
Change in unrestricted net assets:								
Unrestricted net assets, beginning of year	\$ 6,922,518	2,410,443	(76,997)	(44,596)	799,381	-	(491,578)	9,519,171
Change in net assets from operations	136,657	(281,376)	166,359	36,122	(534,168)	-	46,114	(430,292)
Earnings on consolidated entities	(325,534)	-	-	558,857	(470,698)	-	237,375	-
Time restricted grants, released from restrictions	192,758	-	-	-	-	-	-	192,758
Change in unrestricted net assets	3,881	(281,376)	166,359	594,979	(1,004,866)	-	283,489	(237,534)
Unrestricted net assets, end of year	\$ 6,926,399	2,129,067	89,362	550,383	(205,485)	-	(208,089)	9,281,637
Change in temporarily restricted net assets:								
Temporarily restricted net assets, beginning of year	\$ 7,038,606	-	-	-	-	-	-	7,038,606
Net assets released from restrictions	(192,758)	-	-	-	-	-	-	(192,758)
Change in temporarily restricted net assets	(192,758)	-	-	-	-	-	-	(192,758)
Temporarily restricted net assets, end of year	\$ 6,845,848	-	-	-	-	-	-	6,845,848
Change in permanently restricted net assets:								
Permanently restricted net assets, beginning of year	\$ 1,878,061	-	-	-	-	-	-	1,878,061
NeighborWorks America grants	350,000	-	-	-	-	-	-	350,000
Change in permanently restricted net assets	350,000	-	-	-	-	-	-	350,000
Permanently restricted net assets, end of year	\$ 2,228,061	-	-	-	-	-	-	2,228,061
Total net assets, beginning of year	\$ 15,839,185	2,410,443	(76,997)	(44,596)	799,381	-	(491,578)	18,435,838
Distributions	-	-	-	-	(48,675)	-	48,675	-
Change in unrestricted net assets	3,881	(281,376)	166,359	594,979	(1,004,866)	-	283,489	(237,534)
Change in temporarily restricted net assets	(192,758)	-	-	-	-	-	-	(192,758)
Change in permanently restricted net assets	350,000	-	-	-	-	-	-	350,000
Change in total net assets	161,123	(281,376)	166,359	594,979	(1,053,541)	-	332,164	(80,292)
Total net assets, end of year	\$ 16,000,308	2,129,067	89,362	550,383	(254,160)	-	(159,414)	18,355,546

Columbus Housing Partnership, Inc. and Affiliates
 dba Homeport
 Consolidating Schedules of Cash Flows
 Year Ended December 31, 2016

	Homeport			Agler	For Sale	Rental Properties	Other controlled entities	Eliminations	Consolidated
	HP Division	HHO							
Cash flows from operating activities:									
Change in total net assets	\$ 161,123	(281,376)	166,359	594,979	(1,004,866)	-	283,489	(80,292)	
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:									
Depreciation	39,543	3,303	69,447	-	1,173,722	-	-	1,286,015	
Amortization of debt issuance costs	-	19,200	1,616	-	101,540	-	-	122,356	
(Gain) loss on consolidation	178,329	-	-	(558,857)	-	-	558,857	178,329	
Loss on properties held for sale	-	717,934	-	-	-	-	-	717,934	
Gain on sale of partnership interest	(1,979,326)	-	-	-	470,698	-	(470,698)	(1,979,326)	
Provision for losses on receivables	139,083	66,532	-	-	-	-	-	205,615	
Equity in losses of unconsolidated entities	331,762	-	-	-	-	-	(325,534)	6,228	
Restricted funding	(350,000)	-	-	-	-	-	-	(350,000)	
Amortization of fair value adjustment to long-term debt	-	-	-	-	11,060	-	-	11,060	
Effect of changes in operating assets and liabilities:									
Receivables	(14,169)	87,998	(173,776)	87,683	37,838	-	317,590	343,164	
Prepaid expenses and deposits	5,267	(3,100)	-	(8,787)	111,860	-	-	105,240	
Accounts payable and accrued expenses	144,195	2,398	(24,089)	(41,642)	(233,941)	644	(216,690)	(369,125)	
Intercompany receivable	-	(986,024)	44,802	-	-	-	941,222	-	
Distribution to Homeport	-	-	-	-	(48,675)	-	48,675	-	
Intercompany payable	986,024	(251,623)	38,693	-	-	113	(773,207)	-	
Security and warranty deposits	-	1,500	12,317	535	(6,015)	-	-	8,337	
Accrued interest payable	153,352	-	65	(1,245)	107,600	1,218	116,952	377,942	
Deferred revenue and grant advances	67,987	(110,956)	-	-	-	-	-	(42,969)	
Interest rate swap obligation	-	-	(101,832)	-	(14,554)	-	-	(116,386)	
Net cash provided by (used in) operating activities	(136,830)	(734,214)	33,602	72,666	706,267	1,975	480,656	424,122	
Cash flows from investing activities:									
Cash received in consolidation	-	-	-	67,985	-	-	-	67,985	
Proceeds from sales	2,542,968	-	-	-	-	-	-	2,542,968	
Change in restricted cash	(1,730,279)	(1,102)	-	(3,880)	(1,768,829)	-	-	(3,504,090)	
Change in investments	(9,412)	-	-	-	-	-	-	(9,412)	
Investment in Barrett	(331,700)	-	-	-	-	-	-	(331,700)	
Proceeds from the sale of properties held for sale	1,000,000	754,629	-	-	-	-	-	1,754,629	
Purchase of real estate and rehabilitation costs	-	(1,043,455)	-	-	-	-	-	(1,043,455)	
Notes receivable	317,958	162,698	-	-	-	-	(480,656)	-	
Proceeds from repayment of notes receivable	117,253	149,732	-	-	-	-	-	266,985	
Purchase of property and equipment	(88,032)	137,207	7,122	-	(475,824)	(135,593)	-	(555,120)	
Net cash (used in) provided by investing activities	1,818,756	159,709	7,122	64,105	(2,244,653)	(135,593)	(480,656)	(811,210)	

Columbus Housing Partnership, Inc. and Affiliates
dba Homeport
Consolidating Schedules of Cash Flows - Continued
Year Ended December 31, 2016

	Homeport		Agler	For Sale	Rental Properties	Other controlled entities	Eliminations	Consolidated
	HP Division	HHO						
Cash flows from financing activities:								
Purchase of financing costs	-	-	(41,403)	-	(74,369)	-	-	(115,772)
Proceeds (repayment) on lines of credit	-	(654,615)	-	-	-	-	-	(654,615)
Proceeds from restricted funding	350,000	-	-	-	-	-	-	350,000
Proceeds from long-term debt	-	651,613	68,568	-	7,558,516	150,000	(480,953)	7,947,744
Repayment of long-term debt	(794,950)	(51,455)	-	(22,645)	(5,662,663)	-	480,953	(6,050,760)
Net cash provided by (used in) financing activities	(444,950)	(54,457)	27,165	(22,645)	1,821,484	150,000	-	1,476,597
Net increase (decrease) in cash	1,236,976	(628,962)	67,889	114,126	283,098	16,382	-	1,089,509
Cash, beginning of year	1,656,890	1,685,902	14,764	37,550	904,030	-	-	4,299,136
Cash, end of year	2,893,866	1,056,940	82,653	151,676	1,187,128	16,382	-	5,388,645

Columbus Housing Partnership, Inc. and Affiliates
 dba Homeport
 Consolidating Schedules of Expenses
 Year Ended December 31, 2016

	Homeport			CHP Agler	For Sale	Rental Properties	Other controlled entities	Eliminations	Consolidated
	HP Division	HHO							
Program, administration and other:									
Salaries	3,115,714	225,350	-	-	-	-	-	-	3,341,064
Payroll taxes	71,677	11,070	-	-	-	-	-	-	82,747
Fringe benefits	392,440	74,081	-	-	-	-	-	-	466,521
	<u>3,579,831</u>	<u>310,501</u>	-	-	-	-	-	-	<u>3,890,332</u>
Program related expenses									
Office	383,668	31,386	-	-	-	-	-	-	415,054
Repairs and maintenance	64,199	5,457	35,135	-	-	-	-	-	104,791
Occupancy	321	288	41,716	-	-	-	-	-	42,325
Minor equipment	376,175	33,037	66,116	-	-	-	(368,091)	-	107,237
Dues and publications	46,117	3,960	-	-	-	-	-	-	50,077
Professional fees	31,962	3,053	-	-	-	-	-	-	35,015
Accounting and legal	96,494	6,780	9,189	-	-	-	-	-	112,463
Printing and postage	79,706	8,239	15,648	-	-	-	-	-	103,593
Insurance	7,687	730	23	-	-	-	-	-	8,440
Other expenses	51,798	4,911	7,112	-	-	-	-	-	63,821
Marketing and advertising	19,913	2,622	(33,328)	-	-	-	-	-	(10,793)
Development costs	219,718	8,022	-	-	-	-	-	-	227,740
Loan fees	59,618	1,174	-	-	-	-	-	-	60,792
Travel, conferences and training	572	19,253	-	-	-	-	-	-	19,825
Bad debt expense	91,711	8,169	-	-	-	-	-	-	99,880
Fundraising related expenses	119,083	-	-	-	-	-	-	-	119,083
In-kind expenses	3,472	259	-	-	-	-	-	-	3,731
	<u>51,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,584</u>
Total program, admin & other	<u>5,283,629</u>	<u>447,841</u>	<u>141,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(368,091)</u>	<u>-</u>	<u>5,504,990</u>
Rental:									
Maintenance	-	-	-	93,452	1,953,146	-	-	-	2,046,598
Utilities	-	-	-	948	903,425	-	-	-	904,373
Real estate taxes	308	55	-	25,590	611,296	-	-	-	637,249
Administrative and other	-	-	-	90,912	1,904,603	-	(413,964)	-	1,581,551
Insurance	-	-	-	21,867	412,317	-	-	-	434,184
Total rental	<u>308</u>	<u>55</u>	<u>-</u>	<u>232,769</u>	<u>5,784,787</u>	<u>-</u>	<u>(413,964)</u>	<u>-</u>	<u>5,603,955</u>
Interest expense	<u>202,560</u>	<u>7,472</u>	<u>143,422</u>	<u>34,091</u>	<u>1,209,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,597,500</u>
Depreciation expense	<u>39,543</u>	<u>3,303</u>	<u>69,447</u>	<u>-</u>	<u>1,173,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,286,015</u>
Other operating expense:									
Equity in losses of unconsolidated entities	6,228	-	-	-	-	-	-	-	6,228
Carrying value in excess of fair value net assets acquired	178,329	-	-	-	-	-	-	-	178,329
Bad debt expense	<u>20,000</u>	<u>66,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,532</u>
Total other operating expense	<u>204,557</u>	<u>66,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,089</u>
Total expense	<u>\$ 5,730,597</u>	<u>525,203</u>	<u>354,480</u>	<u>266,860</u>	<u>8,168,464</u>	<u>-</u>	<u>(782,055)</u>	<u>-</u>	<u>14,263,549</u>

Columbus Housing Partnership, Inc. and Affiliates
 dba Homeport
 Schedules of Financial Position - NeighborWorks America Capital Fund
 December 31, 2017

Assets	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Cash in bank	\$ 110,181	615,816	725,997
Notes receivable:			
Loans	129,819	851,376	981,195
Impaired loan	-	158,590	158,590
Home Ownership development subsidy	-	171,359	171,359
Investment Central City Development Fund I, LLC	<u>-</u>	<u>130,920</u>	<u>130,920</u>
 Total assets	 <u>\$ 240,000</u>	 <u>1,928,061</u>	 <u>2,168,061</u>
 Liabilities and Net Assets			
Net assets:			
Capital fund balance	\$ -	1,928,061	1,928,061
Restricted until first use	<u>240,000</u>	<u>-</u>	<u>240,000</u>
	<u>240,000</u>	<u>1,928,061</u>	<u>2,168,061</u>
 Total liabilities and net assets	 <u>\$ 240,000</u>	 <u>1,928,061</u>	 <u>2,168,061</u>

Columbus Housing Partnership, Inc. and Affiliates
 dba Homeport
 Schedules of Activities - NeighborWorks America Capital Fund
 Year Ended December 31, 2017

Revenue, Gains, Other Support and Release of Capital	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Grants - NeighborWorks America	\$ 240,000	-	240,000
Released from restriction to unrestricted	-	(300,000)	(300,000)
Net assets - at beginning of year	<u>-</u>	<u>2,228,061</u>	<u>2,228,061</u>
Net assets - at end of year	\$ <u>240,000</u>	<u>1,928,061</u>	<u>2,168,061</u>



Columbus Housing Partnership, Inc. and Affiliates dba Homeport

Office of Management and Budget

Uniform Guidance Required Reports

December 31, 2017

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Board of Directors
Columbus Housing Partnership, Inc. and Affiliates
Columbus, Ohio

We have audited, in accordance with the 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 of America, the consolidated financial statements of Columbus Housing Partnership, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the consolidated related statements of operations 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, 2018. The consolidated financial statements of Columbus Housing Partnership, Inc.'s for-profit subsidiaries were not audited in accordance with *Government Auditing Standards*. CHP Kimberly, Inc. was audited in accordance with *Government Auditing Standards* by us and we issued a separate report. This report does not include the results of our testing of internal control over financial reporting or compliance or other matters included in that separate report.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Columbus Housing Partnership, Inc. and Affiliates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Columbus Housing Partnership, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of the Columbus Housing Partnership, Inc. and Affiliates' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 Columbus Housing Partnership, Inc. and Affiliates' consolidated financial statements are free from 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 29, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Columbus Housing Partnership, Inc. and Affiliates
Columbus, Ohio

Report on Compliance for Each Major Federal Program

We have audited Columbus Housing Partnership, Inc. and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Columbus Housing Partnership, Inc. and Affiliates' major federal programs for the year ended December 31, 2017. Columbus Housing Partnership, Inc. and Affiliates' major federal programs are 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 laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Columbus Housing Partnership, Inc. and Affiliates' major federal programs 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* ("CFR") 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 Columbus Housing Partnership, Inc. and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Columbus Housing Partnership, Inc. and Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, Columbus Housing Partnership, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on their major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of Columbus Housing Partnership, Inc. and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Columbus Housing

Partnership, Inc. and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Columbus Housing Partnership, Inc. and Affiliates' internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the consolidated financial statements of Columbus Housing Partnership, Inc. and Affiliates as of and for the year ended December 31, 2017, and have issued our report thereon dated June 29, 2018, which expressed an unmodified opinion on those financial statements. 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 basic 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.

This 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 our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 29, 2018

Columbus Housing Partnership, Inc. and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Total Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development			
Direct			
Section 202 Mortgage - Supportive Housing for the Elderly	14.157	\$ <u>8,140,603</u>	<u>7,710,300</u>
Section 8 Housing Assistance Payments Program	14.195	<u>128,463</u>	<u>-</u>
Pass-through			
<i>Housing Partnership Network</i>			
Housing Counseling Assistance Program	14.169	<u>73,091</u>	<u>-</u>
<i>Passed through the City of Columbus</i>			
Community Development Block Grant	14.218	<u>34,056</u>	<u>-</u>
<i>Franklin County</i>			
HOME Investment Partnerships Program	14.239	<u>123,729</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development		<u>8,499,942</u>	<u>7,710,300</u>
U.S. Department of Treasury			
Pass-through			
<i>NeighborWorks America</i>			
NeighborWorks America	21.000	<u>365,831</u>	<u>-</u>
Total U.S. Department of Treasury		<u>365,831</u>	<u>-</u>
Total		\$ <u><u>8,865,773</u></u>	<u><u>7,710,300</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Columbus Housing Partnership, Inc. ("Homeport"), Elim Senior Housing, Inc., CHP Kimberly, Inc., Friends/VVA Apartments, Inc. and HKS Associates, LLC under programs of the federal government for the year ended December 31, 2017.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") 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 Homeport and Affiliates, it is not intended to and does not present Homeport and Affiliate's financial position, changes in net assets, or cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) 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.

(b) Homeport has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

(c) Pass-through entity identifying numbers are not available.

(d) The outstanding balance of loan and loan guarantee programs at December 31, 2017 with continuing compliance requirements which are reported as federal expenditures on the accompanying schedule of expenditures of federal awards was \$8,124,523.

(e) The Section 202 Capital Advances received by Homeport and Elim Senior Housing, Inc. are reported as temporarily restricted net assets at December 31, 2017.

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness identified? Yes X No

Significant deficiency identified not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

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

Internal control over compliance:

Material weakness identified? Yes X No

Significant deficiency identified not considered to be material weaknesses? Yes X No

Any audit findings disclosed that are required to be reported in accordance with CFR Section 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.157	Supportive Housing for the Elderly

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None

3. Findings and Questioned Costs for Federal Awards

None

Columbus Housing Partnership, Inc. and Affiliates
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
None			

