

**Corporation for Supportive Housing and its
Subsidiaries**

**Consolidated Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2013 and 2012

Corporation for Supportive Housing and its Subsidiaries

Index

	<u>Page</u>
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Information	
Schedule of Expenditures of Federal Awards	27
Notes to Schedule of Expenditures of Federal Awards	28
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	31
Schedule of Findings and Questioned Costs	33

Independent Auditor's Report

To the Board of Directors
Corporation for Supportive Housing and its Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Corporation for Supportive Housing and its Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of certain subsidiaries were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Corporation for Supportive Housing and its Subsidiaries as of December 31, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of Corporation for Supportive Housing and its Subsidiaries as of December 31, 2012 were audited by other auditors whose report dated April 23, 2013, expressed an unmodified opinion on those statements.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2014, on our consideration of Corporation for Supportive Housing and its Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corporation for Supportive Housing and its Subsidiaries' internal control over financial reporting and compliance.



Bethesda, Maryland
April 25, 2014

Corporation for Supportive Housing and its Subsidiaries

**Consolidated Statements of Financial Position
December 31, 2013 and 2012**

	December 31,	
	2013	2012
<u>Assets</u>		
Cash and cash equivalents	\$ 5,309,543	\$ 2,460,789
Cash restricted - administrative agent cash	11,396,388	4,859,735
Investments	29,168,810	29,303,182
Grants and contributions receivable, net	9,322,879	4,290,670
Contracts receivable, net	1,999,217	1,979,720
Loans receivable, net	34,968,817	36,365,017
Other receivables, net	1,283,296	1,723,759
Prepaid expenses and other assets	226,396	312,212
Property and equipment, net	447,820	264,414
	<u>\$ 94,123,166</u>	<u>\$ 81,559,498</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,099,407	\$ 1,938,541
Advances on contracts	893,117	808,688
Grants payable	4,274,751	3,399,917
Loans payable	48,262,271	42,823,180
Administrative agent cash distributable	11,396,388	4,859,735
	<u>66,925,934</u>	<u>53,830,061</u>
Commitments and contingencies (Note N)		
Net Assets:		
Unrestricted	16,306,560	16,643,075
Temporarily restricted	10,890,672	11,086,362
	<u>27,197,232</u>	<u>27,729,437</u>
	<u>\$ 94,123,166</u>	<u>\$ 81,559,498</u>

See Notes to Consolidated Financial Statements.

Corporation for Supportive Housing and its Subsidiaries

**Consolidated Statements of Activities
Years Ended December 31, 2013 and 2012**

	Year Ended December 31,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Grants and contributions	\$ 1,480,977	\$ 10,360,047	\$ 11,841,024	\$ 1,624,079	\$ 4,686,578	\$ 6,310,657
In-kind contributions	1,296,342	-	1,296,342	1,525,157	-	1,525,157
Total contributions	2,777,319	10,360,047	13,137,366	3,149,236	4,686,578	7,835,814
Contract services	7,294,904	-	7,294,904	5,056,245	-	5,056,245
Interest and dividend income	643,685	-	643,685	666,564	-	666,564
Interest income - loans	2,052,028	-	2,052,028	2,229,460	-	2,229,460
Fee income - loans	644,816	-	644,816	638,479	-	638,479
Other income	577,893	-	577,893	1,625,607	-	1,625,607
	13,990,645	10,360,047	24,350,692	13,365,591	4,686,578	18,052,169
Net assets released from restrictions	10,555,737	(10,555,737)	-	10,372,986	(10,372,986)	-
Total public support and revenue	24,546,382	(195,690)	24,350,692	23,738,577	(5,686,408)	18,052,169
Expenses:						
Program services	19,284,955	-	19,284,955	19,342,599	-	19,342,599
Management and general	3,757,874	-	3,757,874	2,927,846	-	2,927,846
Fund-raising	1,061,542	-	1,061,542	1,278,491	-	1,278,491
Total expenses	24,104,371	-	24,104,371	23,548,936	-	23,548,936
Changes in net assets before net realized and unrealized (losses) gains on investments	442,011	(195,690)	246,321	189,641	(5,686,408)	(5,496,767)
Net realized and unrealized (losses) gains on investments	(778,526)	-	(778,526)	36,179	-	36,179
Changes in net assets	(336,515)	(195,690)	(532,205)	225,820	(5,686,408)	(5,460,588)
Net assets - beginning of year	16,643,075	11,086,362	27,729,437	16,417,255	16,772,770	33,190,025
Net assets - end of year	\$ 16,306,560	\$ 10,890,672	\$ 27,197,232	\$ 16,643,075	\$ 11,086,362	\$ 27,729,437

See Notes to Consolidated Financial Statements.

Corporation for Supportive Housing and its Subsidiaries

**Consolidated Statements of Functional Expenses
Years Ended December 31, 2013 and 2012**

	Years Ended December 31,							
	2013				2012			
Expenses	Program Services	Management and General	Fund Raising	TOTAL	Program Services	Management and General	Fund Raising	TOTAL
Salaries and wages	\$ 6,071,038	\$ 1,807,729	\$ 718,646	\$ 8,597,413	\$ 6,242,976	\$ 1,551,170	\$ 837,322	\$ 8,631,468
Employee benefits and payroll taxes	1,742,881	412,989	202,336	2,358,206	1,764,493	239,496	226,383	2,230,372
Consultants	3,053,118	85,558	11,977	3,150,653	1,602,184	104,332	16,885	1,723,401
Professional fees	110,994	180,039	1,546	292,579	359,184	123,350	561	483,095
Rent, utilities, and maintenance	629,326	565,694	69,268	1,264,288	684,543	487,905	106,844	1,279,292
Management information system	21,014	161,724	6,424	189,162	16,129	110,956	13,117	140,202
Telephone	150,495	32,975	7,087	190,557	164,576	28,707	8,313	201,596
Supplies	48,605	27,085	1,441	77,131	79,036	16,299	2,980	98,315
Equipment repairs and maintenance	45,178	17,973	968	64,119	33,599	32,894	655	67,148
Postage and messenger services	5,977	8,385	219	14,581	14,707	9,912	1,005	25,624
Duplication	63,419	46,922	2,930	113,271	84,834	33,041	1,044	118,919
Staff travel	585,791	73,546	12,563	671,900	646,393	62,584	29,987	738,964
Insurance	52,627	10,066	2,477	65,170	38,048	5,926	2,043	46,017
Other administrative expenses	137,436	205,913	9,197	352,546	98,705	73,292	10,325	182,322
Conferences, meetings and seminars	342,664	106,732	9,023	458,419	496,445	34,861	15,094	546,400
Grants and direct support	4,071,200	-	-	4,071,200	3,626,371	-	-	3,626,371
Depreciation and amortization	83,768	14,544	5,440	103,752	86,837	13,121	5,933	105,891
Interest	821,576	-	-	821,576	907,860	-	-	907,860
In-kind interest and services	1,296,342	-	-	1,296,342	1,525,157	-	-	1,525,157
(Recovery of) provision for bad debt	(48,494)	-	-	(48,494)	870,522	-	-	870,522
	<u>\$ 19,284,955</u>	<u>\$ 3,757,874</u>	<u>\$ 1,061,542</u>	<u>\$ 24,104,371</u>	<u>\$ 19,342,599</u>	<u>\$ 2,927,846</u>	<u>\$ 1,278,491</u>	<u>\$ 23,548,936</u>

See Notes to Consolidated Financial Statements.

Corporation for Supportive Housing and its Subsidiaries

**Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012**

	Year Ended December 31,	
	2013	2012
Cash flows from operating activities:		
Changes in net assets	\$ (532,205)	\$ (5,460,588)
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Depreciation and amortization	103,752	105,891
(Recovery of) provision for bad debt	(48,494)	870,522
Net realized and unrealized losses (gains) on investments	778,526	(36,179)
Grants receivable discount	29,411	(392,819)
Changes in:		
Cash restricted - administrative agent cash	(6,536,653)	(4,859,735)
Grants and contributions receivable	(5,061,620)	3,339,564
Contracts receivable	8,068	3,060,203
Other receivables	419,570	(484,745)
Prepaid expenses and other assets	85,816	15,775
Accounts payable and accrued expenses	160,866	(249,343)
Advances on contracts	84,429	(2,191,084)
Grants payable	874,834	797,462
Administrative agent cash distributable	6,536,653	4,859,735
Net cash (used in) operating activities	(3,097,047)	(625,341)
Cash flows from investing activities:		
Purchases of property and equipment	(287,158)	(67,060)
Purchases of investments	(22,069,064)	(24,147,052)
Proceeds from sales of investments	21,425,034	23,961,122
Cash payments under loan obligations	(25,424,142)	(23,356,942)
Cash collections under loan obligations	26,862,040	18,418,091
Net cash provided by (used in) investing activities	506,710	(5,191,841)
Cash flows from financing activities:		
Proceeds from loans payable	25,509,091	10,318,180
Payments on loans payable	(20,070,000)	(6,145,000)
Net cash provided by financing activities	5,439,091	4,173,180
Net increase (decrease) in cash and cash equivalents	2,848,754	(1,644,002)
Cash and cash equivalents - beginning of year	2,460,789	4,104,791
Cash and cash equivalents - end of year	\$ 5,309,543	\$ 2,460,789
Supplemental cash flow information:		
Cash paid for interest	\$ 753,964	\$ 910,155
Significant noncash investing and financing activities		
Loans receivable written off against the allowance for loan loss	\$ 330,000	\$ 327,500
Disposal of fully amortized leasehold improvements	296,554	-
	\$ 626,554	\$ 327,500

See Notes to Consolidated Financial Statements.

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Note A - Organization and its significant accounting policies

Organization

The Corporation for Supportive Housing ("CSH") is a publicly supported not-for-profit organization, incorporated in the State of Delaware on January 25, 1991.

It is CSH's mission to advance housing solutions that deliver three powerful outcomes: (i) improve lives for the most vulnerable people; (ii) maximize public resources; and (iii) foster strong, healthy communities across the country. CSH is working to solve some of the most complex and costly social problems our country faces like those related to homelessness. It offers capital, expertise, information and innovation that allow partners to use supportive housing to achieve stability, strength and success for the people in most need. CSH blends over 20 years of experience and dedication with a practical and entrepreneurial spirit, making it the source for housing solutions. CSH is an industry leader with national and local influence. CSH is headquartered in New York City with staff stationed in more than 20 locations around the country.

In 2011, CSH became certified as a Community Development Entity ("CDE") under the New Markets Tax Credit ("NMTC") Program of the United States Department of Treasury and was awarded an NMTC allocation of \$25,000,000 to support the innovative financing of supportive housing projects throughout the United States. To assist in administering the NMTC Program, during 2011, CSH formed a wholly-controlled Delaware Holding Company (the "HC"). In addition, CSH formed four Delaware limited liability companies (the "LLCs") to obtain designated equity investments from investors and to make qualified low-income community investments under the terms of the NMTC program. CSH is the managing member of each LLC. During 2011, CSH entered into one NMTC-based agreement and subsequently entered into three more in 2012. As the managing member, CSH will be entitled to 0.01% of any income earned by each LLC. In addition, as the managing member, CSH is also entitled to origination fees and annual management fees related to any NMTC-qualified equity investment.

During 2013, CSH formed The Supportive Housing Solutions Fund (the "SHSF"), a wholly owned single member LLC, incorporated in the state of Delaware. The SHSF was created in order to attract loan capital from investors that would enjoy a greater degree of flexibility in terms and conditions and the dollar amounts of secondary loans made by the SHSF; the geographic location of the SHSF's ultimate borrowers; and in amount of the loan loss reserves required to be carried by the SHSF.

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Principles of consolidation

The accompanying consolidated financial statements of CSH include the accounts of CSH, the SHSF and the HC. CSH's investments in the LLCs are accounted for using the equity method. All significant intercompany balances and transactions are eliminated in consolidation.

Basis of accounting

The accompanying consolidated financial statements of CSH have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit entities.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Cash equivalents

For financial reporting purposes, CSH considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, with the exception of cash and short-term investments that are designated to be part of CSH's long-term investment portfolio.

Loans receivable

Loans receivable are carried at their unpaid principal balance, less an allowance for loan losses. Interest on loans is generally recognized over the term of the loan and is calculated using the simple-interest method on the principal amounts outstanding.

Allowance for loan loss

The allowance for uncollectible loans is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, reflecting the nature of the portfolio, credit concentrations, trends in historical loss experience, and general economic conditions. The allowance is increased by an annual provision for loan losses, which is reported as an expense and is reduced by any loan write-offs, net of recoveries. Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the loan portfolio, and the related allowance, may change in future periods.

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Investments

CSH's investments in fixed-income securities are reported at their quoted fair market values. Included in fixed-income securities are corporate, government and municipal bonds, and bond mutual funds which are reported at their fair market values, as determined by the related investment managers. Money-market funds held by investment advisors as a part of the portfolio are reported as investments in the accompanying consolidated statements of financial position. Net realized and unrealized gains and losses are reported in the accompanying consolidated statements of activities.

CSH's investment in an alternative security, consisting of a limited liability company, is reported at its fair value. This alternative investment may have restrictions as to its marketability that could affect CSH's ability to liquidate the investment quickly. Estimated fair value may differ significantly from the values that would have been used had a ready market for this security existed.

CSH's primary investment objective is to maximize total return with minimal risk. The stated goal is to preserve capital that is intended for CSH's charitable mission, while also generating cash flow to support its operations. CSH's various types of investment securities are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Property and equipment

Property and equipment are stated at their original costs, less accumulated depreciation or amortization. Donated assets are recorded at their related fair market values on the dates of the gifts. CSH's policy is to capitalize all acquisitions in excess of \$5,000 and with useful lives in excess of one year. Furniture and equipment are depreciated using the straight-line method over estimated useful lives of five years. Leasehold improvements are amortized over their estimated useful lives or the respective lease terms, whichever are shorter.

Accrued vacation

CSH's employees are entitled to be paid for unused vacation time if they leave CSH's employ. Accordingly, at each fiscal year-end, CSH must recognize a liability for the amount that would be incurred if employees with such unused vacation were to leave. At December 31, 2013 and 2012, this accrued vacation obligation was approximately \$474,622 and \$420,000, respectively.

Deferred rent

The Organization records rent expense on a straight-line basis on office leases that have material fixed annual rental increases. The difference between rent expense and payments

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

made under such leases is reflected as deferred rent and is recorded as a component of accounts payable and accrued expenses on the accompanying consolidated statements of financial position.

Net assets:

Net assets and the changes therein are classified and reported as follows:

(a) Unrestricted:

Unrestricted net assets represent those resources that are not subject to donor restrictions.

(b) Temporarily restricted:

Temporarily restricted net assets represent those resources that have been restricted by donors for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

(c) Permanently restricted:

Permanently restricted net assets represent those resources that have been restricted by donors on a permanent basis.

As of December 31, 2013 and 2012, there were no permanently restricted net assets.

Grants and contributions

Contributions to CSH are recognized as revenue in the accompanying consolidated statements of activities upon the receipt either of cash, other assets or of unconditional pledges. Grant revenue is recognized based on the terms of each individual grant. Grants and contributions are considered available for unrestricted use, unless specifically restricted by the donor. Grants and contributions to be received over periods longer than one year are discounted at an interest rate commensurate with the risk involved.

Contract services

Revenue from cost-reimbursement contracts is recognized when reimbursable expenses are incurred under the terms of the contracts. Contract proceeds received in advance are recorded as advances from federal, state, local and private agencies, and the related revenue is deferred until the related expenses are incurred.

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services in reasonable ratios determined by management.

Grants and direct support

Grants and direct support to others are recognized as expenses in the period the grants are approved. At December 31, 2013, the majority of outstanding grants payable are expected to be paid within one year.

Income taxes

CSH is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "IRC") and from state and local taxes under comparable laws. CSH follows the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of CSH's general tax-exempt status, ASC Topic 740-10-05 has not had, and is not anticipated to have, a material impact on CSH's consolidated financial statements.

The HC uses the asset and liability method to account for deferred income taxes. Under this method, assets and liabilities are recognized for the future tax attributable to differences between the financial statement carrying amounts and the respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change the tax rate is recognized in the period that includes the enactment date. Deferred tax assets are only recognized to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including tax planning strategies and other factors.

As of December 31, 2013 and 2012, the HC did not engage in activity requiring the recognition of a deferred tax asset or liability or recording a current provision for income taxes.

CSH is the single member of the SHSF. As such, the SHSF is treated as a disregarded entity under the IRC and CSH reports the activities of the SHSF and the existence of its controlling interest in the SHSF on CSH's tax return.

CSH is required to file and does file tax returns with the IRS and other taxing authorities. Income tax returns filed by CSH and the HC are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2010 remain open.

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Fair value measurement

CSH reports a fair value measurement of all applicable financial assets and liabilities, including investments, grants and contributions receivable, loans receivable, short-term payables and loans payable. (For the fair valuation of investments, see Note F)

Administrative agent cash

During 2012, in connection with its working relationship with the Connecticut Housing Finance Authority (the "CHFA"), CSH was appointed as an agent for the administration of operating reserve accounts for several projects into which the CHFA and various limited-liability Companies (the "Companies") had entered. As a result, CSH maintains control of the funds deposited by the CHFA to each of the Companies operating reserve accounts to assist in the operation of these projects. Under the terms of its agreement with the CHFA, CSH will process the corresponding draw-down requests and payments.

The funds received for distribution from the CHFA are reported as a restricted cash asset and corresponding liability in the accompanying consolidated financial statements. CSH receives an annual fee from each of the Companies for the administration of these operating reserve accounts.

Subsequent events

Material subsequent events have been considered for recognition and disclosure in these consolidated financial statements through April 25, 2014, the date the consolidated financial statements were available to be issued.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

Corporation for Supportive Housing and its Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013 and 2012**

Note B - Grants and contributions receivable

At each year-end, grants and contributions receivable consisted of the following:

	December 31,	
	2013	2012
Gross amounts due in:		
One year	\$ 7,818,604	\$ 3,888,709
One to five years	1,533,686	410,000
	9,352,290	4,298,709
Less reduction of grants and contributions due in excess of one year, at a discount rate of 5%	(29,411)	(8,039)
	\$ 9,322,879	\$ 4,290,670

Based on its communications with donors and a review of its donor base, management expects all of the grants and contracts receivable to be fully collected.

Note C - Loans receivable

Loans receivable represents short-term and long-term loans made to non-profit and for profit developers of supportive housing. Loans support the borrowers' predevelopment, acquisition, and construction cash flow requirements related to the establishment of permanent supportive housing for individuals with special needs. The loan portfolio contains loans with interest rates ranging from 0% to 7.75% and with repayment terms of up to eight years. Loans receivable consist of the following six primary classes: Acquisition & Predevelopment loans, Predevelopment loans, Project Initiation Loans (PILS), Mini-Permanent loans, Construction loans and Other loans. Acquisition loans are made available to provide financing for real estate acquisition in connection with the development of supportive housing. Acquisition loans are offered alone or are combined with predevelopment loans. Predevelopment loans are made available later in the development process of the project to fund predevelopment costs and primarily serve to provide site control once a major committed financial source has been identified or an overall financial plan is in place. Project Initiation Loans are early stage loans designed to encourage developers to get projects off the ground and through the feasibility stage of the development process. Mini-Permanent loans are made available for projects that have completed construction. Construction loans are offered for construction or rehabilitation projects and are also offered in partnership with other construction lenders. Other loans consist primarily of equity bridge loans which are designed to bridge future payments of either Low Income Housing Tax Credits or Historic Tax Credit equity.

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Loans receivable, by class, as of December 31, 2013 and 2012 were as follows:

	December 31,			
	2013		2012	
Acquisition & Predevelopment	28	\$ 27,709,578	36	\$ 28,133,674
Predevelopment	18	4,851,179	13	5,427,466
Project Initiation Loans	42	1,775,755	56	2,383,752
Mini Permanent	4	1,503,262	3	1,078,121
Construction	1	237,649	2	1,051,407
Other	1	1,307,505	1	1,078,121
Total loans receivable	94	37,384,928	111	39,152,541
Less: Allowance for uncollectible loans		(2,416,111)		(2,787,524)
Loans receivable, net		\$ 34,968,817		\$ 36,365,017

An aging of loans receivable, by class, as of December 31, 2013 and 2012 is as follows:

December 31, 2013	Current	31-60 Days Past Due	61-90 Days Past Due	91-180 Days Past Due	181+ Days Past Due	Total
Acquisition & Predevelopment	\$ 27,709,578	\$ -	\$ -	\$ -	\$ -	\$ 27,709,578
Predevelopment	4,851,179	-	-	-	-	4,851,179
Project Initiation Loans	1,751,151	-	-	24,604	-	1,775,755
Mini Permanent	1,503,262	-	-	-	-	1,503,262
Construction	237,649	-	-	-	-	237,649
Other	1,307,505	-	-	-	-	1,307,505
	\$ 37,360,324	\$ -	\$ -	\$ 24,604	\$ -	\$ 37,384,928
December 31, 2012	Current	31-60 Days Past Due	61-90 Days Past Due	91-180 Days Past Due	181+ Days Past Due	Total
Acquisition & Predevelopment	\$ 28,133,674	\$ -	\$ -	\$ -	\$ -	\$ 28,133,674
Predevelopment	5,427,466	-	-	-	-	5,427,466
Project Initiation Loans	2,333,752	50,000	-	-	-	2,383,752
Mini Permanent	1,078,121	-	-	-	-	1,078,121
Construction	1,051,407	-	-	-	-	1,051,407
Other	1,078,121	-	-	-	-	1,078,121
	\$ 39,102,541	\$ 50,000	\$ -	\$ -	\$ -	\$ 39,152,541

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

As of December 31, 2013 and 2012, the allowance for loan loss, by class, is as follows:

<u>December 31, 2013</u>	Beginning Balance	(Recovery) Provision for loan loss	Write-offs	Recoveries	Total
Acquisition & Predevelopment	\$ 1,418,763	\$ (15,728)	\$ -	\$ 25,000	\$ 1,428,035
Predevelopment	309,129	(35,905)	-	20,000	293,224
Project Initiation Loans	846,680	(159,377)	(330,000)	63,192	420,495
Mini Permanent	107,812	27,482	-	-	135,294
Construction	89,236	(67,848)	-	-	21,388
Other	15,904	101,771	-	-	117,675
	<u>\$ 2,787,524</u>	<u>\$ (149,605)</u>	<u>\$ (330,000)</u>	<u>\$ 108,192</u>	<u>\$ 2,416,111</u>

<u>December 31, 2012</u>	Beginning Balance	Provision (Recovery) for loan loss	Write-offs	Recoveries	Total
Acquisition & Predevelopment	\$ 834,452	\$ 584,311	\$ -	\$ -	\$ 1,418,763
Predevelopment	646,901	(357,772)	-	20,000	309,129
Project Initiation Loans	757,003	335,427	(327,500)	81,750	846,680
Mini Permanent	79,267	28,545	-	-	107,812
Construction	-	89,236	-	-	89,236
Other	-	15,904	-	-	15,904
	<u>\$ 2,317,623</u>	<u>\$ 695,651</u>	<u>\$ (327,500)</u>	<u>\$ 101,750</u>	<u>\$ 2,787,524</u>

CSH maintains a loan monitoring committee to review various economic conditions which may affect its loan program. The loan monitoring committee meets periodically throughout the year to review CSH's loan portfolio, its inherent risks, the risk-rating of specific loans, the strategies intended to facilitate timely loan repayment, and assignments to staff members for follow-up and collection. Generally, the risk rating for loans provides for a measurement of the credit quality of the loan portfolio through the following five categories: strong, good, acceptable, weak and doubtful. Loans receivable are written off when the near term prospects for collection appear remote and it is doubtful that a loan is considered partially or fully collectible.

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Loans receivable, by class and credit quality category, as of December 31, 2013 and 2012 are as follows:

December 31, 2013	Strong	Good	Acceptable	Weak	Doubtful	Total
Acquisition & Predevelopment	\$ 5,074,068	\$ 21,955,510	\$ 680,000	\$ -	\$ -	\$ 27,709,578
Predevelopment	-	1,370,025	3,481,154	-	-	4,851,179
Project Initiation Loans	-	-	1,512,255	165,500	98,000	1,775,755
Mini Permanent	-	154,214	1,349,048	-	-	1,503,262
Construction	237,649	-	-	-	-	237,649
Other	-	-	1,307,505	-	-	1,307,505
	<u>\$ 5,311,717</u>	<u>\$ 23,479,749</u>	<u>\$ 1,245,253</u>	<u>\$ 852,311</u>	<u>\$ 500,000</u>	<u>\$ 37,384,928</u>

December 31, 2012	Strong	Good	Acceptable	Weak	Doubtful	Total
Acquisition & Predevelopment	\$ 4,024,365	\$ 23,165,908	\$ 979,975	\$ -	\$ -	\$ 28,170,248
Predevelopment	-	3,341,783	3,127,230	-	-	6,469,013
Project Initiation Loans	-	-	1,903,252	275,500	205,000	2,383,752
Mini Permanent	-	157,679	920,442	-	-	1,078,121
Construction	892,364	-	-	-	-	892,364
Other	-	-	159,043	-	-	159,043
	<u>\$ 4,916,729</u>	<u>\$ 26,665,370</u>	<u>\$ 7,089,942</u>	<u>\$ 275,500</u>	<u>\$ 205,000</u>	<u>\$ 39,152,541</u>

Additionally, to further mitigate its risk, CSH secured a \$5,000,000 forgivable loan from the City of Los Angeles, and a \$4,000,000 forgivable loan from the Hilton Foundation (as disclosed in Note H), to cover loan losses in its Los Angeles loan fund, and a \$500,000 loan from the State of Indiana Housing and Community Development Authority (as disclosed in Note H), with a provision that CSH will not repay any actual losses resulting from providing project-initiation loans. CSH also carries, as a part of its restricted assets, a \$500,000 grant from the Weingart Foundation to cover possible loan losses.

During the years ended December 31, 2013 and 2012, approximately \$1,924,933 and \$13,861,000, respectively, of loans receivable were modified to include extensions of maturity dates, ranging from one to two years at similar terms for those organizations. As of December 31, 2013 and 2012, \$3,501,323 and \$11,381,446, respectively, of outstanding loans receivable have been restructured in this manner.

As of December 31, 2013 and 2012 there were no loans receivable that were considered impaired or placed on non-accrual status.

Note D - Contracts receivable

Contracts receivable consists of amounts due to CSH from federal, state, local and private agencies. All amounts are due within one year. Based on management's evaluation of the collectability of the receivables, at December 31, 2013 and 2012, CSH has recorded an allowance for uncollectible receivables of approximately \$27,572 and \$68,000, respectively.

Contracts are recorded as revenue to the extent that expenses have been incurred for the purposes specified by the grantors. For 2013 and 2012, CSH established advances from sources, to the extent amounts received exceed amounts spent, in the amounts of \$893,117 and \$808,688, respectively.

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Note E - Other receivables

Other receivables consist primarily of fees and accrued interest relating to CSH's loan portfolio due from unrelated not-for-profit organizations, as disclosed in Note C. Based on management's evaluation of the collectability of the receivables, at December 31, 2013 and 2012, CSH has recorded an allowance for uncollectible receivables of approximately \$60,447 and \$119,000, respectively.

Note F - Investments

At each year-end, investments were reported at their fair values and consisted of the following:

	December 31,			
	2013		2012	
	Fair value	Cost	Fair value	Cost
Corporate and government fixed-income securities	\$ 22,334,553	\$ 22,369,298	\$ 18,587,803	\$ 18,476,289
Money market funds	266,498	266,498	966,084	966,084
Mutual government bond funds	6,542,759	6,577,054	9,724,295	9,775,647
Limited liability company	25,000	25,000	25,000	25,000
	<u>\$ 29,168,810</u>	<u>\$ 29,237,850</u>	<u>\$ 29,303,182</u>	<u>\$ 29,243,020</u>

During each year, investment income (loss) consisted of the following:

	Year ended December 31,	
	2013	2012
	Interest and dividends	\$ 643,685
Net unrealized (losses) on investments	(514,854)	(213,597)
Net realized (losses) gains on sales of investments	<u>(263,672)</u>	<u>249,776</u>
	<u>\$ (134,841)</u>	<u>\$ 702,743</u>

ASC 820-10-05 prescribes three levels of fair-value measurement of investments as follows:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for the same or identical assets and liabilities at the reporting date.
- Level 2: Valuations are based on: (i) quoted prices for similar assets or liabilities in active markets; or (ii) quoted prices for identical or similar assets or liabilities in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those securities that are redeemable at or near the balance sheet date and for which a model was derived for valuation.
- Level 3: Fair value is determined based on pricing inputs that are unobservable and includes situations where: (i) there is little, if any, market activity for the asset

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

or liability; or (ii) the underlying investments of which cannot be independently valued; or (iii) they cannot be immediately redeemed at or near the fiscal year-end.

The following tables summarize the fair values of investments at each year-end, in accordance with the valuation-hierarchy levels:

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Corporate and government fixed-income securities	\$ -	\$ 22,334,553	\$ -	\$ 22,334,553
Money market funds	266,498	-	-	266,498
Mutual government bond funds	6,542,759	-	-	6,542,759
Limited liability company	-	-	25,000	25,000
	\$ 6,809,257	\$ 22,334,553	\$ 25,000	\$ 29,168,810

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Corporate and government fixed-income securities	\$ -	\$ 18,587,803	\$ -	\$ 18,587,803
Money market funds	966,084	-	-	966,084
Mutual government bond funds	9,724,295	-	-	9,724,295
Limited liability company	-	-	25,000	25,000
	\$ 10,690,379	\$ 18,587,803	\$ 25,000	\$ 29,303,182

Corporation for Supportive Housing and its Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013 and 2012**

The following summarizes the changes in the fair value of CSH's Level 3 investment in the limited liability company during the years ended December 31, 2013 and 2012:

Balance, December 31, 2011	\$	-
Purchases, issuances and settlements		25,000
Realized/unrealized gains (losses) included in changes in net assets		-
Transfers in and/or out of Level 3		-
		<hr/>
Balance, December 31, 2012		25,000
Purchases, issuances and settlements		-
Realized/unrealized gains (losses) included in changes in net assets		-
Transfers in and/or out of Level 3		-
		<hr/>
Balance, December 31, 2013	\$	<u>25,000</u>

Note G - Property and equipment

At each year-end, property and equipment consisted of the following:

	December 31,	
	<u>2013</u>	<u>2012</u>
Computers and office equipment	\$ 1,430,779	\$ 1,250,105
Leasehold improvements	<u>275,284</u>	<u>465,354</u>
	1,706,063	1,715,459
Less accumulated depreciation and amortization	<u>(1,258,243)</u>	<u>(1,451,045)</u>
	<u>\$ 447,820</u>	<u>\$ 264,414</u>

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Note H - Loans payable

At each year-end, loans payable were uncollateralized and consisted of the following:

	December 31,	
	2013	2012
John D. and Catherine T. MacArthur Foundation note payable; interest is payable quarterly at 3% through maturity, January 1, 2015. Principal is due in three annual installments commencing January 1, 2013 through maturity. Paid in full in 2013.	\$ -	\$ 400,000
John D. and Catherine T. MacArthur Foundation note payable; interest is payable quarterly at 3% through maturity, January 1, 2015. Principal is due in three annual installments commencing January 1, 2013 through maturity. Paid in full in 2013.	-	670,000
Wells Fargo Bank, N.A. note payable; interest is payable quarterly at 3% through maturity, May 14, 2017. Paid in full in 2013.	-	2,000,000
Conrad N. Hilton Foundation note payable; interest is payable quarterly at 2% through maturity, December 1, 2014.	1,000,000	1,000,000
Wells Fargo Bank, N.A. note payable; interest is payable annually at 2% through maturity, June 25, 2018.	1,000,000	1,000,000
City of Los Angeles note payable; 0% interest through maturity, December 26, 2014.	5,000,000	5,000,000
Indiana Housing and Community Development Authority note payable; 0% interest through maturity, September 30, 2015.	435,000	435,000
Bank of America note payable; interest is payable annually at 3% through maturity, February 25, 2018. Principal is due in three annual installments at February 25, 2013, February 25, 2014 and February 25, 2018. Paid in full in 2013.	-	8,000,000
Conrad N. Hilton Foundation note payable; interest is payable quarterly at 2% through maturity, December 11, 2014.	5,000,000	5,000,000
HSBC note payable; interest is payable monthly based on LIBOR through maturity, December 31, 2015. Paid in full in 2013.	-	4,000,000
Mercy Investment Services, Inc. note payable; interest is payable quarterly at 2.5% through maturity, May 25, 2016.	1,000,000	1,000,000
Catholic Healthcare West note payable, interest is payable quarterly at 2.5% through maturity, June 1, 2016.	2,000,000	2,000,000
Annie E. Casey Foundation note payable, interest is payable quarterly at 3% through maturity, October 11, 2020. Principal is due in two annual installments at October 11, 2020 and October 20, 2021	2,000,000	2,000,000
Trinity Health Corporation note payable, interest is payable quarterly at 2% through maturity, June 30, 2016.	1,000,000	1,000,000
The California Endowment note payable, interest payable quarterly at 2% through maturity, March 31, 2022.	2,000,000	2,000,000
Catholic Health Initiative note payable, interest is payable annually at 2% through maturity, June 1, 2017.	500,000	500,000
Morgan Stanley Bank, N.A. note payable, interest is payable monthly at 3% through maturity, October 1, 2015. Paid in full in 2013.	-	5,000,000

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

	December 31,	
	2013	2012
Opportunity Finance Network note payable, interest is payable quarterly at 3% through maturity, October 31, 2022. Principal is due in annual installments of \$454,545 commencing October 31, 2019 through maturity.	1,818,180	1,818,180
Metropolitan Life Insurance Co. note payable; 0% interest through maturity, March 28, 2018	6,000,000	-
Conrad Hilton Foundation note payable, interest is payable quarterly at 2.0% through maturity, June 26, 2023	2,000,000	-
Deutsche Bank Trust Company America note payable, interest is payable quarterly based on LIBOR + 2.5% through maturity, June 26, 2018	2,727,273	-
Robert Wood Johnson Foundation note payable, interest is payable quarterly at 2.5% through maturity, June 28, 2023	681,818	-
Bank of America note payable, interest is payable quarterly based on LIBOR + 2.0% through maturity, June 26, 2018	2,272,727	-
Robert Wood Johnson Foundation note payable, interest is payable quarterly at 2.0% through maturity, June 28, 2023	3,863,636	-
Morgan Stanley note payable, interest is payable quarterly based on LIBOR + 2.5% through maturity, June 28, 2018	3,977,273	-
HSBC note payable, interest is payable quarterly based on LIBOR + 1.75% through maturity, June 26, 2018	3,986,364	-
	\$ 48,262,271	\$ 42,823,180

The required principal payments on the above obligations in each of the five years subsequent to 2013 are as follows:

Year Ending December 31,	Amount
Year Ending December 31, 2014	\$ 11,000,000
2015	435,000
2016	3,000,000
2017	500,000
2018	19,963,637

Interest expense for 2013 and 2012 was \$2,117,918 and \$2,017,581, respectively, including \$1,296,342 and \$1,109,721, respectively, of in-kind interest (as disclosed in Note I).

As of December 31, 2013, the SHSF had \$42,320,000 in open lines of credit available to it, of which \$20,327,273 was drawn and is included as a component of loans payable on the accompanying consolidated statements of financial position. Additionally, the loans payable held by the SHSF are guaranteed by CSH. As of December 31, 2013, no events have occurred that would require the recognition of a guaranty obligation on the consolidated statements of financial position.

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Certain of these loan payables contain covenant requirements that require CSH and SHSF to provide reporting on a periodic basis to meet and maintain specific financial ratios. As of December 31, 2013, neither CSH nor SHSF was in violation of any of these covenants.

Note I - In-kind contributions

As disclosed in Note H, loans payable consist of loans that bear either no interest or interest at below-market rates. The difference between interest computed at a reasonable fair-market rate (5%) and at the stated interest rates is included in the accompanying consolidated statements of activities as an in-kind contribution and corresponding expense. This amount was determined to be \$1,296,342 and \$1,109,721 for 2013 and 2012, respectively.

A member of CSH's Board of Directors is a partner in a law firm retained by CSH. CSH recorded donated legal services from the law firm in connection with its program services, the estimated fair value of which was \$0 and \$415,436 in 2013 and 2012, respectively.

Note J - Concentration of credit risk

CSH places its temporary cash investments with high-credit-quality financial institutions. At times, such investments may exceed federally insured limits. Management does not believe that CSH has a significant risk of loss related to the failure of these financial institutions.

CSH makes loans to not-for-profit organizations that are primarily engaged in residential real-estate development funded by state agencies. The ability of these organizations to honor their contracts may be impaired by a downturn in the economy or by a reduction in the availability of government funding and support for projects. Management continually evaluates the collectability of the loan portfolio and believes the allowance for uncollectible loans is adequate to absorb potential losses.

Corporation for Supportive Housing and its Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013 and 2012**

Note K - Temporarily restricted net assets

At each year-end, temporarily restricted net assets were available to satisfy the following purposes:

	December 31,	
	<u>2013</u>	<u>2012</u>
Specific programs:		
Lead supportive housing industry	\$ 2,090,827	\$ 1,409,197
Expand access to supportive housing	7,228,618	7,874,496
Deploy and leverage capital	674,834	1,290,231
Improve and sustain quality	732,970	245,925
Enhance performance and accountability	163,423	266,513
	<u>\$ 10,890,672</u>	<u>\$ 11,086,362</u>

During each year, net assets released from restrictions consisted of the following:

	December 31,	
	<u>2013</u>	<u>2012</u>
Specific programs:		
Lead supportive housing industry	\$ 2,378,323	\$ 2,294,711
Expand access to supportive housing	7,041,273	7,586,145
Deploy and leverage capital	657,589	129,416
Improve and sustain quality	302,414	88,787
Enhance performance and accountability	176,138	273,927
	<u>\$ 10,555,737</u>	<u>\$ 10,372,986</u>

Note L - Pension plans

CSH maintains a Section 403(b) tax-deferred retirement savings plan for the benefit of its employees. Contributions by CSH are discretionary and can be made only with the approval of the Board of Directors. Contributions by CSH during 2013 and 2012 were \$351,436 and \$319,089, respectively.

Note M - New markets tax credit program

As disclosed in Note A, in conjunction with its role as the managing member of the LLCs, CSH earns a fee based on 0.01% of any income earned by each LLC. During the years ended December 31, 2013 and 2012, CSH earned fees totaling \$197,000 and \$1,310,349 relating to such qualified equity investments, respectively, and are included as a component of other income on the accompanying consolidated statements of activities.

Corporation for Supportive Housing and its Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013 and 2012**

Note N - Commitments and contingencies

Lease commitments

At December 31, 2013, CSH was obligated under various non-cancelable operating real estate leases expiring through 2023. For years subsequent to 2013, minimum annual future rental commitments under the lease agreements are as follows:

Year Ending December 31,	Amount
Year Ending December 31, 2014	\$ 748,912
2015	752,668
2016	717,096
2017	618,045
2018	639,320
Thereafter	<u>3,367,970</u>
	<u><u>\$ 6,844,011</u></u>

Total rent expense for 2013 and 2012 was \$1,250,830 and \$1,262,042, respectively.

Loan commitments

As of December 31, 2013, CSH's Board of Directors had approved loan commitments totaling \$27,065,130. These amounts are expected to be disbursed as loans in 2014.

Government contracts

Government-funded activities are subject to audit by the applicable granting agencies. At December 31, 2013, no such audits had been undertaken on CSH, and management believes that unaudited projects will not result in any material obligations.

Supplementary Information

Corporation for Supportive Housing and its Subsidiaries

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Supportive Housing Program			
Cooperative Agreement for McKinney-Vento			
Homeless Assistance	14.235		\$ 7,979
Community Development/Technical Assistance	14.235		18,248
Community Development/Technical Assistance NOFA Competition	14.235		70,000
Technical Assistance/Management-Technical Assistance	14.235		664,700
Technical Assistance (CD-TA)	14.235		81,187
One CPD Technical Assistance Award	14.235		75,455
Technical Assistance/Management-Technical Assistance	14.235		95,388
One CPD	14.235		<u>1,048,408</u>
 Total Supportive Housing Program			 2,061,365
 Pass-through Enterprise Community Partners, Inc.:			
Section 4 Capacity Building for Community Development and Affordable Housing	14.252	B-11-CB-MD-0001	50,000
 Pass-through Chicago Housing Authority:			
Local RA Initiative DFSS 2013	14.871	0N04	23,859
Section 8 Housing Vouchers	14.871	P.O. 5695	20,475
Section 8 Housing Vouchers	14.871	P.O. 6447	<u>35,250</u>
 Total U.S. Department of Housing and Urban Development			 <u>2,190,949</u>
U.S. Department of Justice:			
Pass-through Franklin County:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-JAG-2002	<u>9,792</u>
U.S. Department of Treasury:			
Community Development Financial Institutions			
Fund (CDFI):			
Financial Assistance - 2010	21.020		750,000
Financial Assistance - 2011	21.020		1,500,000
Financial Assistance - 2012	21.020		<u>1,453,806</u>
 Total U.S. Department of Treasury			 <u>3,703,806</u>
U.S. Department of Health and Human Services:			
Pass-through Ohio Department of Mental Health:			
Block Grants for Community Health Services	93.958	BG-13-100-20-001	58,907
Block Grants for Community Health Services	93.958	BG-14-100-20-001-143	<u>4,861</u>
 Total Pass-through Ohio Department of Mental Health			 63,768
 Pass-through Illinois Council on Developmental Disabilities	93.630	1093	<u>2,431</u>
 Total U.S. Department of Health and Human Services			 <u>66,200</u>
U.S. Department of Agriculture:			
Rural Community Development Initiative	10.446		<u>16,716</u>
U.S. Department for National and Community Service:			
Social Innovation Fund	94.019		<u>740,774</u>
			<u>\$ 6,728,237</u>

Corporation for Supportive Housing and its Subsidiaries

Notes to Schedule of Expenditures of Federal Awards December 31, 2013

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corporation for Supportive Housing and its Subsidiaries and is presented using the accrual basis of accounting. The information for this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" (OMB Circular A-133). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements. The financial statements of certain subsidiaries included in the consolidated financial statements were not audited in accordance with *Government Auditing Standards* as they are not subject to the requirements under OMB Circular A-133.

Note B - CDFI Financial Assistance

Program 21.020, CDFI Financial Assistance, represents the amount of funds held by CSH as of December 31, 2013 that are utilized through a revolving loan fund program, either as loans outstanding or as the funded portion of an allowance for loan loss and are subject to ongoing compliance requirements from the U.S. Department of the Treasury.

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Corporation for Supportive Housing and its Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Corporation for Supportive Housing and its Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 25, 2014. The financial statements of certain subsidiaries were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these subsidiaries.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Corporation for Supportive Housing and its Subsidiaries' 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 Corporation for Supportive Housing and its Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Corporation for Supportive Housing and its Subsidiaries' 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 combinations of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of Corporation for Supportive Housing and its Subsidiaries' consolidated 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 Corporation for Supportive Housing and its Subsidiaries' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of consolidated financial statement amounts.

However, providing an opinion on compliance with these 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 results of that testing, and not to provide an opinion on the effectiveness of Corporation for Supportive Housing and its Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corporation for Supportive Housing and its Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Bethesda, Maryland
April 25, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by OMB Circular A-133

To the Board of Directors
Corporation for Supportive Housing and its Subsidiaries

Report on Compliance for Each Major Program

We have audited Corporation for Supportive Housing and its Subsidiaries' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Corporation for Supportive Housing and its Subsidiaries' major federal programs for the year ended December 31, 2013. Corporation for Supportive Housing and its Subsidiaries' major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Corporation for Supportive Housing and its Subsidiaries' 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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* ("*OMB Circular A-133*"). Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Corporation for Supportive Housing and its Subsidiaries' compliance with these 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 program. However, our audit does not provide a legal determination of Corporation for Supportive Housing and its Subsidiaries' compliance.

Opinion on Each Major Program

In our opinion, Corporation for Supportive Housing and its Subsidiaries complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of Corporation for Supportive Housing and its Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Corporation for Supportive Housing and its Subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Corporation for Supportive Housing and its Subsidiaries' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 compliance requirement 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.



Bethesda, Maryland
April 25, 2014

Corporation for Supportive Housing and its Subsidiaries

Schedule of Findings and Questioned Costs December 31, 2013

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Corporation for Supportive Housing and its Subsidiaries.
2. No material weaknesses or significant deficiencies related to the audit of the consolidated financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the consolidated financial statements of Corporation for Supportive Housing and its Subsidiaries were disclosed during the audit.
4. No material weaknesses or significant deficiencies related to the audit of the major federal awards programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Corporation for Supportive Housing and its Subsidiaries expresses an unmodified opinion.
6. There are no audit findings relative to the major federal award programs for Corporation for Supportive Housing and its Subsidiaries.
7. Major programs:
 - U.S. Department of Housing and Urban Development - Supportive Housing Program, CFDA No. 14.235
 - U.S. Department of Treasury - Community Development Financial Institutions Fund, CFDA No. 21.020
 - U.S. Department for National and Community Service - Social Innovation Fund, CFDA No. 94.019
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Corporation for Supportive Housing and its Subsidiaries qualified as a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

None