

INNOVATIVE HOUSING, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014



**Loveridge Hunt & Co., PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS .....	1 - 2
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	3 - 4
CONSOLIDATED STATEMENTS OF ACTIVITIES .....	5 - 6
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES.....	7
CONSOLIDATED STATEMENTS OF CASH FLOWS .....	8 - 9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS .....	10 - 24
ADDITIONAL INFORMATION.....	25 - 29



**Loveridge Hunt & Co., PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Board of Directors  
Innovative Housing, Inc. and Affiliates  
Portland, Oregon

Report on Financial Statements

We have audited the accompanying financial statements of Innovative Housing, Inc. and Affiliates (the Organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Innovative Housing, Inc. and Affiliates as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information shown on pages 25 to 29 is presented for the purpose 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Bellevue, Washington  
November 16, 2015

INNOVATIVE HOUSING, INC. AND AFFILIATES  
(A Not-For-Profit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2015	2014
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,859,702	\$ 1,697,257
Cash - restricted reserves	1,938,808	817,321
Prepaid expenses	66,823	67,380
Accounts receivable:		
Management fees	73,861	43,704
Development fees	1,587,751	962,738
Other	56,979	53,385
Investment - CD	105,488	104,989
	7,689,412	3,746,774
Tenant trust - security deposits	195,476	191,880
	195,476	191,880
Property, leasehold improvements and equipment, at cost:		
Building, leasehold improvements and equipment	22,757,378	22,710,095
Accumulated depreciation	(6,366,278)	(5,535,788)
	16,391,100	17,174,307
Construction in Progress	1,533	4,096,124
Land	2,981,290	2,981,290
	19,373,923	24,251,721
Other assets:		
Notes receivable - partnerships	9,666,704	5,562,943
Notes receivable - shared appreciation mortgages	76,743	76,743
Notes receivable - employees	1,768	8,120
Investment in limited partnerships	668,904	569,933
Financing fees, net of accumulated amortization of \$218,934 and \$198,329	348,081	368,686
	10,762,200	6,586,425
	\$ 38,021,011	\$ 34,776,800

Continued on page 4.

INNOVATIVE HOUSING, INC. AND AFFILIATES  
(A Not-For-Profit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - (CONTINUED)

	June 30,	
	2015	2014
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 243,102	\$ 47,729
Current portion of notes payable	294,026	697,226
	537,128	744,955
Other liabilities:		
Security deposits payable	194,835	191,854
Prepaid rent	13,233	11,665
	208,068	203,519
Long-term debt:		
Notes payable, net of current portion	19,405,075	18,800,277
Total liabilities	20,150,271	19,748,751
Noncontrolling interest	437,937	445,816
Net assets:		
Unrestricted designated	12,050,041	9,017,204
Temporarily restricted	5,382,762	5,565,029
Total net assets	17,432,803	14,582,233
	\$ 38,021,011	\$ 34,776,800

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

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2015 and 2014

	2015			2014
	Unrestricted	Temporarily Restricted	Total	
<b>Support and Revenue:</b>				
Rent	\$ 2,630,712	\$ -	\$ 2,630,712	\$ 2,527,093
Grants and contributions	103,809	-	103,809	63,086
Project related capital grants	105,237	-	105,237	202,500
Resident services fees	115,389	-	115,389	82,661
Property development fees	1,276,250	-	1,276,250	226,875
Partnership and asset management fees	122,473	-	122,473	139,326
Interest	371,768	-	371,768	357,568
Other	<u>293,233</u>	<u>-</u>	<u>293,233</u>	<u>172,046</u>
	5,018,871	-	5,018,871	3,771,155
<b>Expenses:</b>				
Program services:				
Asset management	98,465	-	98,465	83,565
Resident services	300,832	-	300,832	289,979
Housing development	257,878	-	257,878	214,554
Property ownership	<u>2,829,339</u>	<u>-</u>	<u>2,829,339</u>	<u>2,775,524</u>
	3,486,514	-	3,486,514	3,363,622
Management and general	95,432	-	95,432	107,869
Communication	28,611	-	28,611	18,168
Fundraising	<u>33,827</u>	<u>-</u>	<u>33,827</u>	<u>22,633</u>
	3,644,384	-	3,644,384	3,512,292
Change in net assets from operations	\$ <u>1,374,487</u>	\$ <u>-</u>	\$ <u>1,374,487</u>	\$ <u>258,863</u>
Forgiveness of debt	<u>1,450,000</u>	<u>-</u>	<u>1,450,000</u>	<u>-</u>
Net assets released from restrictions	182,267	(182,267)	-	

Continued on page 6.

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

CONSOLIDATED STATEMENT OF ACTIVITIES - (CONTINUED)

For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	
Change in net assets	\$ 3,006,754	\$ (182,267)	\$ 2,824,487	\$ 258,863
Net assets - beginning of year	9,017,204	5,565,029	14,582,233	14,323,370
Contribution	49,115	-	49,115	-
Distribution	(23,032)	-	(23,032)	-
Net assets - end of year	\$ 12,050,041	\$ 5,382,762	\$ 17,432,803	\$ 14,582,233

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



Innovative Housing, Inc. and Affiliates  
CONSOLIDATED STATEMENTS  
OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2015 and 2014

	For the Year Ended June 30, 2015								2015 Total	2014 Total
	Program Services					Supporting Services				
	Asset Management	Resident Services	Housing Development	Property Ownership	Total Programs	Management and General	Communic.	Fundraising		
Payroll	\$ 66,724	\$ 172,465	\$ 184,131	\$ -	\$ 423,320	\$ 47,661	\$ 18,426	\$ 19,202	\$ 508,609	\$ 422,095
Payroll taxes	6,568	18,171	17,782	-	42,521	4,588	1,800	1,856	50,765	42,111
Health benefits	5,593	23,345	14,638	-	43,576	3,492	1,489	1,516	50,073	36,424
Retirement	2,054	6,696	7,495	-	16,245	2,142	810	851	20,048	14,249
Travel, training	331	1,214	754	-	2,299	180	77	87	2,643	4,268
Printing	239	878	544	-	1,661	130	55	63	1,909	2,179
Telephone & utilities	1,053	3,869	2,399	-	7,321	572	244	278	8,415	7,744
Rent/Occupancy	3,223	11,845	7,344	-	22,412	1,752	747	850	25,761	22,537
Dues & subscriptions	652	2,396	1,485	-	4,533	354	151	172	5,210	3,909
Professional fees & consultants	8,364	836	3,346	-	12,546	3,847	167	1,286	17,846	19,974
Supplies	1,140	4,190	2,598	-	7,928	620	264	301	9,113	4,299
Insurance	797	2,927	1,815	-	5,539	433	185	210	6,367	5,662
Postage & shipping	130	480	297	-	907	71	30	34	1,042	826
Depreciation & amortization	-	-	-	852,927	852,927	-	-	-	852,927	852,958
Special events	-	-	-	-	-	-	-	6,700	6,700	10,692
Interest expense	-	-	3,077	443,702	446,779	-	-	-	446,779	479,047
Equipment rental & maintenance	1,597	5,878	3,645	267,720	278,840	869	371	421	280,501	323,501
Direct program expenses	-	45,642	6,528	1,264,990	1,317,160	28,721	3,795	-	1,349,676	1,259,817
<b>Total</b>	<b>\$ 98,465</b>	<b>\$ 300,832</b>	<b>\$ 257,878</b>	<b>\$ 2,829,339</b>	<b>\$ 3,486,514</b>	<b>\$ 95,432</b>	<b>\$ 28,611</b>	<b>\$ 33,827</b>	<b>\$ 3,644,384</b>	<b>\$ 3,512,292</b>

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

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2015 and 2014  
Increase (Decrease) in Cash

	June 30,	
	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 2,824,487	\$ 258,863
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	852,927	852,958
Gain/loss from interest in limited partnerships	1,029	(7,662)
Forgiveness of debt	(1,450,000)	-
Changes in certain assets and liabilities:		
Prepaid expenses	557	(37,516)
Accounts receivable	(658,764)	183,850
Accounts payable	193,541	(40,582)
Accrued interest payable	-	(13,412)
Security deposits	(615)	(23)
Prepaid rent	<u>1,568</u>	<u>(4,984)</u>
Net cash provided by operating activities	1,764,730	1,191,492
Cash flows from investing activities:		
Purchase buildings, leasehold improvements and equipment	(47,283)	(3,136,997)
Appreciation of CD	(499)	-
Repayment of advances on CIP	4,094,591	-
Loans to partnerships	(4,103,761)	(593,671)
Repayment of loans owed by employees	6,352	6,352
Contributions to partnerships	(100,000)	-
Withdrawals from restricted reserves	169,229	31,868
Deposits to restricted reserves	<u>(1,290,716)</u>	<u>-</u>
Net cash used by investing activities	\$ (1,272,087)	\$ (3,692,448)

Continued on page 9.

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS - (CONTINUED)  
For the Years Ended June 30, 2015 and 2014  
Increase (Decrease) in Cash

	June 30,	
	2015	2014
Cash flows from financing activities:		
Increase (decrease) in non-controlling interest	\$ (7,879)	\$ 45,569
Distributions of net assets	(23,032)	-
Contributions of net assets	49,115	-
Proceeds from notes payable	2,183,554	1,162,518
Principal payments on notes payable	<u>(531,956)</u>	<u>(216,734)</u>
Net cash provided by financing activities	<u>1,669,802</u>	<u>991,353</u>
Net increase (decrease) in cash	2,162,445	(1,509,603)
Cash, beginning of year	<u>1,697,257</u>	<u>3,206,860</u>
Cash, end of year	<u>\$ 3,859,702</u>	<u>\$ 1,697,257</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 446,709	\$ 449,877
Supplemental schedule of noncash investing and financing activities:		
Construction in progress financed by:		
Reclassification of construction in progress into building	\$ -	\$ 192,771

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

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES

Innovative Housing, Inc. (IHI) is a nonprofit organization that develops, preserves and operates affordable housing for low-income households. IHI complements its housing with a Resident Services Program designed to help residents maintain their housing stability, improve their quality of life and break the cycle of poverty. IHI's affiliates include Bridgeview Housing LLC, 82nd & Broadway LLC, Innovative Village Square LLC, IHI/Musolf LLC, Whitmarsh Building LLC, Hewitt Place II GP LLC, ITH Inc., Innovative Kinnaman LLC, IHI/Clifford LLC, Innovative Rich LLC, Clifford Apartments, LLC, Innovative Eliot LLC, Innovative Erickson LLC and Innovative Woodland Square LLC. (IHI and its affiliates are referred to throughout the notes as "IHI").

IHI's four major program areas include:

**Housing Development** - IHI creates and preserves affordable housing through new construction and the acquisition/rehabilitation of existing multifamily properties and historic buildings. IHI's rental housing serves low and very low-income families and individuals, seniors, people with disabilities, formerly homeless people, veterans, and households escaping domestic violence. The average income level of IHI's residents in 2014 was 28% of area median income, or \$13,602/year for an individual and \$19,432/year for a family of four. In fiscal year 2014-2015, IHI closed on financing and began construction of a 54-unit building in Albany, Oregon and the historic preservation of the Erickson Saloon and Fritz Hotel Building in Old Town, Portland, which created 62 new apartments. Development on both projects was substantially complete as of June 30, 2015.

**Resident Services** - IHI complements its housing with Resident Services designed to help residents maintain their housing stability, improve their quality of life, and break the cycle of poverty. Resident service staff connect residents with existing community resources and service providers, advocate for residents, sponsor community building activities, coordinate on-site classes and workshops, and offer site-based programs including an Eviction Prevention Program, Financial Education, an Emergency Fund, and a comprehensive Youth and Family Program. IHI overlays all of its resident services activities with a Healthcare and Housing focus aimed at helping residents access healthcare, work with primary care providers, manage chronic conditions, and proactively engage in preventive healthcare practices.

**Asset Management** - IHI is the managing general partner or managing member of 13 Limited Partnerships/Limited Liability Companies that own 1,303 affordable rental units in Oregon and Washington. IHI manages this portfolio to ensure that each property is well-maintained, financially sustainable and makes a positive contribution to its neighborhood. Asset management includes hiring and supervising professional property managers, compliance and reporting, handling audits/tax matters, and structuring/refinancing debt.

**Property Ownership** - In addition to managing affordable properties owned by LP/LLCs, IHI directly owns 358 affordable rental units at eight Portland area properties. As such, the operating expenses for these properties are included in IHI's financial statements.

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Innovative Housing, Inc., 82nd & Broadway LLC, Bridgeview Housing LLC, Innovative Village Square LLC, IHI/Musolf LLC, Hewitt Place II GP LLC, the Whitmarsh Building LLC, Innovative Kinnaman LLC, ITH Inc., Innovative Rich LLC, Innovative Erickson LLC, Innovative Woodland Square LLC, Innovative Eliot LLC, IHI/Clifford LLC, and Clifford Apartments LLC. All entities but Clifford Apartments LLC are single member LLCs wholly controlled by IHI. IHI has a 90% ownership interest in Clifford Apartments LLC. All material inter-organization transactions have been eliminated.

Financial Statements

The financial statements are presented in accordance with Accounting Standards Codification 958, formerly Statement of Financial Accounting Standards No. 117, Financial Statements of Not-For-Profit Organizations, which requires the Organization to report information regarding its financial position and activities according to three classes of net position: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Method of Accounting

The accrual method of accounting is used for financial statement purposes in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all investment instruments purchased with a maturity of three months or less are considered to be cash equivalents. At June 30, 2015 cash and cash equivalents totaling \$3,859,702 were held by Innovative Housing, Inc. At June 30, 2014, cash and cash equivalents totaled \$1,697,257.

Financial Instruments

All financial instruments are carried at amounts that approximate fair value.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

IHI maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. IHI has not experienced any losses in such accounts. Management believes that IHI is not exposed to any significant credit risk on cash and cash equivalents.

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES - (CONTINUED)

Investment in Property and Equipment

All expenditures for land, land improvements, buildings and equipment are capitalized at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the individual assets: 27.5 to 30 years for buildings, 7 to 15 years for land improvements, and 5 to 7 years for furnishings and equipment. For the years ended June 30, 2015 and 2014, depreciation expense was \$830,490 and \$830,383, respectively. Improvements, additions and replacements in excess of \$2,000 are generally capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of operations.

Management reviews investments in property and equipment for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. Management believes no such adjustment is required in the financial statements as of June 30, 2015 or 2014, respectively.

Amortization

Amortization is computed on a straight-line basis for financial statement purposes. Loan origination fees are amortized over the lives of the underlying loans. Accumulated amortization as of June 30, 2015 and 2014 was \$218,934 and \$198,329, respectively. For the years ended June 30, 2015 and 2014, the amortization expense was \$22,437 and \$22,575, respectively. Organizational costs are expensed when incurred.

Advertising Expenses

Advertising costs are charged to expense as they are incurred.

Income Tax Status

Except for ITH, Inc. and Clifford Apartments, LLC, IHI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no taxes have been provided for in the financial statements.

Revenue Recognition

Developer fees are earned on housing projects developed for affiliates or related entities (limited partnerships or limited liability companies in which IHI, through its affiliates, is either the general partner or the managing member). Revenue from developer fees is recognized as earned during the development period of the project.

Accounts Receivable

Management fees receivable represents amounts due from multi-family housing projects (limited partnerships or limited liability companies) in which IHI owns varying percentages, up to 1%. Accounts receivable are reported at the amount management expects to collect on balances outstanding at June 30, 2015 and 2014. Management closely monitors outstanding balances and writes off all balances deemed uncollectible. No allowance was deemed necessary as all receivables are deemed fully collectible.

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES - (CONTINUED)

Reclassification

Certain amounts as previously presented have been reclassified to conform with the current year presentation.

Basis of Presentation

Net assets and all balances are presented based on the existence of donor-imposed restrictions. The net assets and changes in net assets are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that will be met either by the actions of IHI or by the passage of time. Temporarily restricted contributions are classified as unrestricted where the restriction is met in the same fiscal year the contribution is received. See Note 10.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by IHI. Generally, the donors of these assets permit the Organization to use all or part of the income earned on the related investments for general or specific purposes. At June 30, 2015 and 2014, there were no permanently restricted net assets.

Subsequent Events

Management has evaluated events and transactions occurring after June 30, 2015 through November 16, 2015, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events and transactions that required recognition and disclosure in the financial statements, except as discussed in Note 3.

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - RESTRICTED CASH AND SUBSEQUENT EVENT

Loan agreements between IHI and Oregon Housing and Community Services, the Portland Development Commission and certain lenders require IHI to deposit funds into separate reserve accounts for each of the buildings financed. These funds are to be used for the purposes indicated below.

Restricted cash comprises the following as of June 30, 2015 and 2014:

	2015	2014
Capital asset replacement reserves - established to fund the replacement of capital assets	\$ 561,769	\$ 425,945
Other lender/funder required reserves	278,844	300,563
Tax & Insurance Reserves - established to fund the annual payment of insurance	97,643	90,813
Restricted reserve pledged to lender for Erickson-Fritz development	1,000,552	-
Security Deposits - IHI is required to set up separate accounts in which tenant security deposits are held	<u>195,476</u>	<u>191,880</u>
Total	<u>\$ 2,134,284</u>	<u>\$ 1,009,201</u>

During fiscal year 2015, IHI deposited \$1,000,000 as required by the lender for the development of the Erickson-Fritz building into an account that was pledged as collateral for a loan. During July 2015, development on the project was substantially completed and the restriction on the account was removed.

NOTE 4 - NOTES RECEIVABLE - SHARED APPRECIATION MORTGAGES

Notes receivable include second mortgages on condominiums sold to eligible buyers. The notes carry no interest and are to be repaid only if and when the borrowers sell, transfer or cease to occupy the property as a primary residence. IHI collects a share of the appreciation in lieu of interest not being charged. The notes are subordinate to the first mortgages. At June 30, 2015 and 2014, the aggregate balances of the receivables were \$76,743 each year. Management expects all amounts to be collected. Accordingly, no allowances for uncollectible amounts have been established.



Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - NOTES RECEIVABLE - RELATED PARTIES

IHI and affiliates held notes receivable from the following related parties as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Notes Receivable - Musolf Manor LP, at 0% to 5.01% interest, maturing as of January 10, 2037	\$ 329,120	\$ 303,223
Note Receivable - Owed to 82nd & Broadway by 82nd Ave LP including accrued interest	276,356	269,513
Note Receivable - Eliot for PHB	1,080,572	1,031,145
Note Receivable - Eliot Trust Fund including accrued interest	454,586	411,950
Note Receivable - 527 SE Morrison MT, LLC	4,860	4,860
Notes Receivable - Woodland Square Limited Partnership including accrued interest	1,722,616	-
Notes Receivable - Erickson Housing Limited Partnership including accrued interest	2,186,559	-
Note Receivable - Eliot PDC	108,653	60,888
Notes Receivable - 82nd Avenue LP, at 3% to 4.32% interest, including accrued interest, maturing as of December 31, 2040		
	<u>3,503,382</u>	<u>3,481,364</u>
Total	<u>\$ 9,666,704</u>	<u>\$ 5,562,943</u>

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LAND, PROPERTY AND EQUIPMENT

Changes in land, property and equipment are as follows:

	<u>2014</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Reclassification of Fixed Assets</u>	<u>2015</u>
Land and land improvements	\$ 2,981,290	\$ -	\$ -	\$ -	\$ 2,981,290
Buildings and improvements	22,571,386	27,722	-	-	22,599,108
Furniture and equipment	138,709	19,561	-	-	158,270
Construction in progress	<u>4,096,124</u>	<u>-</u>	<u>(4,094,591)</u>	<u>-</u>	<u>1,533</u>
	29,787,509	47,283	(4,094,591)	-	25,740,201
Less accumulated depreciation	<u>(5,535,788)</u>	<u>(830,490)</u>	<u>-</u>	<u>-</u>	<u>(6,366,278)</u>
	<u>\$ 24,251,721</u>	<u>\$ (783,207)</u>	<u>\$ (4,094,591)</u>	<u>\$ -</u>	<u>\$ 19,373,923</u>
	<u>2013</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Reclassification of Fixed Assets</u>	<u>2014</u>
Land and land improvements	\$ 2,981,290	\$ -	\$ -	\$ -	\$ 2,981,290
Buildings and improvements	22,499,555	59,060	(180,000)	192,771	22,571,386
Furniture and equipment	138,709	-	-	-	138,709
Construction in progress	<u>1,030,958</u>	<u>3,257,937</u>	<u>-</u>	<u>(192,771)</u>	<u>4,096,124</u>
	26,650,512	3,316,997	(180,000)	-	29,787,509
Less accumulated depreciation	<u>(4,704,795)</u>	<u>(830,993)</u>	<u>-</u>	<u>-</u>	<u>(5,535,788)</u>
	<u>\$ 21,945,717</u>	<u>\$ 2,486,004</u>	<u>\$ (180,000)</u>	<u>\$ -</u>	<u>\$ 24,251,721</u>

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - INVESTMENT IN PARTNERSHIPS

IHI is the general partner and manager for several limited partnerships and limited liability companies that own and operate low income housing projects. These projects are owned by limited partnerships or limited liability companies (the Partnerships) in which IHI has varying ownership percentages, up to 1% interest. As general partner or member IHI accounts for its investment in Partnerships in accordance with Accounting Standards Codification 323 - 30, formerly AICPA Statement of Position No. 78-9, Accounting for Investments in Real Estate, which requires the use of the equity method unless IHI has a controlling interest or its interest is not deemed to be temporary. As a result, IHI's investments in Partnerships are accounted for under the equity method. Under the equity method, the initial investment is recorded at cost and is increased or decreased by IHI's share of income or losses and is increased by contributions and decreased by distributions. IHI has also considered whether it has a controlling interest in the Partnerships, as discussed in the Accounting Standards Codification 323-30, formerly discussed in EITF 04-05, and has concluded that IHI does not have a controlling interest, and therefore is not required to consolidate the Partnerships.

IHI receives the following fees from the Partnerships:

Partnership Management Fees

IHI receives management fees from several partnerships in which IHI has an ownership interest. Management fee income for the years ended June 30, 2015 and 2014, was \$37,580 and \$68,980, respectively.

Asset Management Fees

IHI receives asset management fees from several partnerships in which IHI has an ownership interest. Asset management fee income for the years ended June 30, 2015 and 2014, was \$84,893 and \$70,346, respectively.

Property Development Fees

IHI enters into development services agreements whereby it acts as the developer on certain properties. Fees earned under these agreements during the years ended June 30, 2015 and 2014, were \$1,276,250 and \$406,875, respectively.

Resident Services Fees

IHI receives Resident Services fees from several partnerships for services provided to residents. Resident services fee income for the years ended June 30, 2015 and 2014, was \$115,389 and \$82,661, respectively.

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - NOTES PAYABLE

Notes payable as of June 30, 2015 and 2014 consist of the following:

	2015		2014
Note payable to State of Oregon Housing and Community Services Department secured by investment in real estate known as The Magnolia Apartments. The note carries interest at 5% which is payable quarterly. The note matured and was paid on September 7, 2014. Interest expense during 2015 and 2014 totaled \$3,077 and \$19,365, respectively.	\$ -		\$ 417,123
Note payable to Albany Revitalization Area, secured by investment in real estate known as Woodland Square. The note is forgivable if the project is in compliance with conditions of the loan agreement. Loan was forgiven on June 10, 2015.	\$ -		\$ 846,093
Predevelopment loan for \$444,391 to be used for development of the Erickson-Fritz building. The note does not bear interest. The note was paid off in full on August 15, 2014.	\$ -		\$ 444,391
Note payable to Wells Fargo Community Development. The note carries interest at 2% which is payable quarterly. The note matures on May 7, 2017. Interest expense during 2015 and 2014 totaled \$4,000 each year.	\$ 200,000		\$ 200,000
Note payable to Wells Fargo Bank, National Association for construction of and secured by the Rich Building. The note has a variable interest rate and matures on March 21, 2019. Interest expense during 2015 and 2014 totaled \$57,403 and \$94,931, respectively.	\$ 1,725,794		\$ 1,764,224
Two mortgage notes payable to Capital Pacific Bank, secured by investment in real estate known as the Whitmarsh Building. Principal and interest on \$1,322,000 at 4.75% is payable in monthly installments of \$7,591 through March 2, 2020. Principal and interest on \$678,000 at 6.69% is payable in monthly installments of \$4,701 through March 2, 2020. Interest expense during 2015 and 2014 totaled \$98,899 and \$92,994, respectively.	\$ 1,771,960		\$ 1,820,566

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - NOTES PAYABLE - (CONTINUED)	<u>2015</u>	<u>2014</u>
Mortgage note payable to Network for Oregon Affordable Housing secured by investment in real estate known as the Clifford Apartments. Principal and interest at 2.75% are payable in monthly installments of \$6,886; the note matures in April, 2021. Interest expense during 2015 and 2014 totaled \$30,170 and \$32,157, respectively.	\$ 1,068,549	\$ 1,121,006
Mortgage notes payable to Umpqua Bank, secured by investment in real estate known as Bridgeview Apartments. If no demand is made, principal and interest at 6.75% is payable in monthly installments of \$1,117 through June 1, 2021 when the remaining balance is due (estimated at \$126,540). Interest expense during 2015 and 2014 totaled \$10,356 and \$10,369, respectively.	\$ 147,976	\$ 151,022
Mortgage note payable to Capital Pacific Bank secured by investment in real estate known as Kinnaman Townhomes. Principal and interest at 4.4% is payable in monthly installment of \$6,692. The note matures on June 1, 2021. Interest expense during 2015 and 2014 totaled \$49,916 and \$50,961, respectively.	\$ 1,101,955	\$ 444,391
Mortgage note payable to Capital Pacific Bank, secured by investment in real estate known as Village Square Apartments. Principal and interest at 3% is payable in monthly installments of \$9,314. The mortgage matures September 28, 2022. Interest expense during 2015 and 2014 totaled \$58,689 and \$54,050, respectively.	\$ 1,809,719	\$ 1,862,796
Mortgage note payable to Key Bank, secured by investment in real estate known as Hewitt Place Townhomes. Principal and interest at 6.82% are payable in monthly installments of \$10,209; the note matures September 30, 2025. Interest expense during 2015 and 2014 totaled \$101,884 and \$103,260, respectively.	\$ 1,461,779	\$ 1,482,401

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - NOTES PAYABLE - (CONTINUED)	<u>2015</u>	<u>2014</u>
<p>Note payable to City of Portland, secured by investment in real estate known as Broadway Vantage Apartments. The note carries no interest. Principal is payable in annual installments equal to 1/2 annual cash flow as defined in the loan agreement. The note matures on February 1, 2038 if not paid off earlier by annual cash flow payments.</p>	\$ 2,312,002	\$ 2,339,725
<p>Note payable to City of Portland, secured by investment in real estate known as the Magnolia Apartments. The note carries no interest. Principal is payable in annual installments equal to 1/2 the property's annual cash flow, as defined in the loan agreement. The note matures in 2043 if not paid off earlier by annual cash flow payments.</p>	\$ 975,000	\$ 975,000
<p>Note payable to City of Portland, for up to \$6,339,093, secured by investment in real estate known as the Erickson/Fritz Apartments. The note carries no interest. Principle is payable in annual installments equal to 1/2 the property's annual cash flow, as defined in the loan agreement. The note matures March 1, 2056 if not paid off earlier by annual cash flow payments.</p>	\$ 2,183,553	\$ 1,121,006
<p>Note payable to City of Portland, secured by investment in real estate known as the Bridgeview Apartments. The note carries no interest. Principal is payable in annual installments equal to 1/2 annual cash flow as defined in the loan agreement. The note matures on November 1, 2066 if not paid off earlier by annual cash flow payments.</p>	\$ 904,320	\$ 904,320
<p>Note payable to City of Portland for equity gap contribution secured by investment in real estate known as The Clifford Apartments. The note carries no interest. Principal is payable in annual installments equal to 1/2 the property's annual cash flow, as defined in the loan agreement. The note matures in 2070 if not paid off earlier by annual cash flow payments.</p>	\$ 3,350,000	\$ 3,350,000

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - NOTES PAYABLE - (CONTINUED)

	2015	2014
<p>Note payable to City of Portland secured by investment in real estate known as the Hewitt Place Townhomes. The note carries no interest. Principal is payable in annual installments equal to 1/2 the property's annual cash flow, as defined in the loan agreement. The note matures in 2070 if not paid off earlier by annual cash flow payments.</p>	\$ <u>686,494</u>	\$ <u>686,494</u>
	\$ <u>19,699,101</u>	\$ <u>19,497,503</u>

The following schedule outlines principal amounts due on the notes:

Year	Amount
2016	\$ 296,102
2017	509,829
2018	324,257
2019	1,753,841
2020	1,733,150
2021 and later years	<u>15,081,922</u>
	<u>\$ 19,699,101</u>

NOTE 9 - LEASE COMMITMENTS

IHI leases its office space and certain equipment under operating leases expiring in April 2016. Total rent expense for the years ended June 30, 2015 and 2014 was \$12,468 and \$12,992, respectively.

Total future minimum lease payments are as follows for years ending:

Year	Amount
2016	\$ 12,194

Innovative Housing, Inc. and Affiliates  
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets increased significantly for FY 2014 and 2015 because management elected to recategorize project related capital grant funds back to 1994. The bulk of restricted net assets were grants made for specific affordable housing developments. Funds were spent in accordance with funder restrictions, but the grants carry long term use restrictions - in most cases, 60-year terms. These use restrictions are in alignment with IHI's mission so the restrictions themselves and the recategorization of these net assets does not materially affect IHI's operations or financial position.

Temporarily restricted net assets represent the remaining proceeds from grants restricted for the following purposes as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Acquisition and rehabilitation of Hewitt Place Townhomes - American Recovery and Reinvestment funding	\$ 2,004,945	\$ 2,187,212
ARRA net assets released from restrictions	(182,267)	(182,267)
HDGP capital grant for Hewitt Place	70,000	70,000
WX capital grant for Musolf Manor	52,393	52,393
HDGP capital grant for Musolf Manor	100,000	100,000
Restricted grant assumed by IHI as part of donated land and building - Whitmarsh	300,000	300,000
WX capital grant for Broadway Vantage	95,779	95,779
Multnomah County capital grant for Broadway Vantage	50,000	50,000
HDGP capital grant for Broadway Vantage	100,000	100,000
FHLB capital grant for Broadway Vantage	250,000	250,000
GHAP capital grant for the Clifford	197,000	197,000
HELP capital grant for the Clifford	75,000	75,000
WX capital grant for the Clifford	100,000	100,000



Innovative Housing, Inc. and Affiliates  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS - (CONTINUED)

	2015	2014
FHLB capital grant for the Clifford	791,912	791,912
HDGP capital grant for Magnolia	200,000	200,000
HELP capital grant for Magnolia	200,000	200,000
GHAP capital grant for Woodwind	200,000	200,000
HOME capital grant for Village Square	354,000	354,000
HOPWA capital grant for Cornerstone	300,000	300,000
HOPWA capital grant for Cornerstone	24,000	24,000
HDGP capital grant for Kinnaman	100,000	100,000
Total	\$ 5,382,762	\$ 5,565,029

NOTE 11 - SECTION 403(B) SAVINGS PLAN

IHI maintains a qualified cash or deferred compensation plan (the "Plan") under Section 403(b) of the Internal Revenue Code. Under the Plan, employees may elect to defer up to 25% of their salary, subject to the Internal Revenue Service limitations. IHI matches employee contributions up to a maximum of 5% of the employee's eligible salary. Employees are immediately 100% vested in all employer contributions. For the years ended June 30, 2015 and 2014, IHI contributed \$18,997 and \$13,653 to the plan, respectively.

NOTE 12 - NONCONTROLLING INTEREST

The noncontrolling interest represents the investor member's equity in the Clifford Apartments, LLC.

NOTE 13 - OTHER COMMITMENTS AND CONTINGENCIES

Operating Deficit Guaranty - Eliot Housing Limited Partnership

IHI, as general partner of Eliot Housing LP, is obligated jointly and severally, to pay any excess costs and expenses incurred by the Partnership through the operating deficit guaranty period. Any such funds shall be limited to a maximum of \$170,000 and shall be in the form of a loan to the Partnership.

Construction Completion Guaranty - Erickson Housing Limited Partnership

IHI, as owner of the general partner in Erickson Housing Limited Partnership, has provided an unconditional guaranty to complete construction of the Erickson Apartments.

Innovative Housing, Inc. and Affiliates  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - OTHER COMMITMENTS AND CONTINGENCIES - (CONTINUED)

Operating Deficit Guaranty - Erickson Housing Limited Partnership

IHI, as owner of the general partner in Erickson Housing Limited Partnership, is obligated, jointly and severally, to pay any excess costs and expenses incurred by the Partnership through the operating deficit guaranty period. Any such funds shall be limited to a maximum of \$443,000 and shall be in the form of a loan to the partnership.

Construction Completion Guaranty - Woodland Square Limited Partnership

IHI, as the owner of the general partner in Woodland Square Limited Partnership, has provided an unconditional guaranty to complete construction of the Woodland Square Apartments.

Operating Deficit Guaranty - Woodland Square Limited Partnership

IHI, as the owner of the general partner in Woodland Square Limited Partnership, is obligated jointly and severally, to pay any excess costs and expenses incurred by the Partnership through the operating deficit guaranty period. Any such funds shall be limited to a maximum of \$170,000 and shall be in the form of a loan to the Partnership.

ADDITIONAL INFORMATION

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
As of June 30, 2015

	Innovative Housing, Inc	82nd & Broadway LLC	Bridgeview Housing LLC	Hewitt Place II GP LLC	Innovative Village Square	Whitmarsh Building LLC	Clifford Apartments	ITH Inc	IHI/Musolf LLC	Innovative Kinnaman LLC	Innovative Rich LLC	Innovative Woodland Square	Eliminations	TOTAL
<b>Assets:</b>														
Cash & Cash Equivalents	2,677,116	100,511	37,940	167,806	352,971	216,858	54,933	21,748	6,974	152,503	171,933	3,897	-	3,965,190
Restricted Cash	1,000,552	-	71,352	329,311	63,826	15,221	354,142	-	-	62,697	41,707	-	-	1,938,808
Prepaid Expenses	6,092	-	1,000	7,311	6,457	33,189	5,726	-	-	4,612	2,436	-	-	66,823
Receivables														
Mgmt Fees	73,861	-	-	-	-	-	-	-	-	-	-	-	-	73,861
Development Fees	1,612,980	-	-	-	-	-	-	-	-	-	-	-	(25,229)	1,587,751
Capital Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	33,031	-	(325)	5,523	3,878	26,179	-	-	-	-	1,547	14,629	(27,483)	56,979
Construction in Progress	1,533	-	-	-	-	-	-	-	-	-	-	-	-	1,533
N/R - Related Parties	7,973,198	276,356	-	-	-	-	-	-	-	-	-	1,532,650	(115,500)	9,666,704
N/R - SAM	76,743	-	-	-	-	-	-	-	-	-	-	-	-	76,743
N/R - Employees	1,768	-	-	-	-	-	-	-	-	-	-	-	-	1,768
Investments in LPs	4,740,578	214,702	-	-	-	-	-	1,642,300	314,836	-	-	-	(6,243,512)	668,904
Property & Equip, Net	766,917	-	730,319	3,887,807	1,214,309	3,156,192	5,987,059	-	-	1,075,626	2,554,161	-	-	19,372,390
Financing Fees, Net	4,797	-	2,351	197,349	53,268	26,223	37,538	-	-	26,555	-	-	-	348,081
Security Deposits	2,586	-	-	35,742	48,307	39,484	-	-	-	37,141	32,216	-	-	195,476
<b>Total Assets</b>	<b>18,971,752</b>	<b>591,569</b>	<b>842,637</b>	<b>4,630,849</b>	<b>1,743,016</b>	<b>3,513,346</b>	<b>6,439,398</b>	<b>1,664,048</b>	<b>321,810</b>	<b>1,359,134</b>	<b>2,804,000</b>	<b>1,551,176</b>	<b>(6,411,724)</b>	<b>38,021,011</b>
<b>Liabilities and Net Assets:</b>														
A/P & Accrued Liabilities	61,054	-	5,500	-	-	203,103	-	-	-	928	-	-	(27,483)	243,102
Developer Fee Payable	-	-	25,229	-	-	-	-	-	-	-	-	-	(25,229)	-
Security Deposits	2,586	-	-	35,741	48,306	38,844	-	-	-	37,141	32,217	-	-	194,835
Capital Grants Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Liabilities & Prepaid Rent	4,694	-	-	158	314	6,773	-	-	-	5	1,289	-	-	13,233
Notes Payable	5,670,560	93,000	1,052,296	2,148,272	1,809,718	1,771,959	4,418,549	-	-	1,101,954	1,725,794	22,499	(115,500)	19,699,101
<b>Total Liabilities</b>	<b>5,738,894</b>	<b>93,000</b>	<b>1,083,025</b>	<b>2,184,171</b>	<b>1,858,338</b>	<b>2,020,679</b>	<b>4,418,549</b>	<b>-</b>	<b>-</b>	<b>1,140,028</b>	<b>1,759,300</b>	<b>22,499</b>	<b>(168,212)</b>	<b>20,150,271</b>
<b>Net Income</b>	<b>1,315,363</b>	<b>6,694</b>	<b>(14,283)</b>	<b>10,616</b>	<b>123,272</b>	<b>(135,445)</b>	<b>(179,191)</b>	<b>(155,497)</b>	<b>(203)</b>	<b>91,524</b>	<b>63,915</b>	<b>1,532,160</b>	<b>165,562</b>	<b>2,824,487</b>
<b>Non-Controlling Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>437,936</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>437,936</b>
<b>Net Assets</b>	<b>11,917,495</b>	<b>491,875</b>	<b>(226,105)</b>	<b>2,436,062</b>	<b>(238,594)</b>	<b>1,628,112</b>	<b>1,762,104</b>	<b>1,819,545</b>	<b>322,013</b>	<b>127,582</b>	<b>980,785</b>	<b>(3,483)</b>	<b>(6,409,074)</b>	<b>14,608,317</b>
	<b>18,971,752</b>	<b>591,569</b>	<b>842,637</b>	<b>4,630,849</b>	<b>1,743,016</b>	<b>3,513,346</b>	<b>6,439,398</b>	<b>1,664,048</b>	<b>321,810</b>	<b>1,359,134</b>	<b>2,804,000</b>	<b>1,551,176</b>	<b>(6,411,724)</b>	<b>38,021,011</b>

**INNOVATIVE HOUSING, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
As of June 30, 2014

	Innovative Housing, Inc	82nd & Broadway LLC	Bridgeview Housing LLC	Hewitt Place II GP LLC	Innovative Village Square	Whitmarsh Building LLC	Clifford Apartments	ITH Inc	IHI/Musolf LLC	Innovative Kinnaman LLC	Innovative Rich LLC	Innovative Woodland Square	Eliminations	TOTAL
<b>Assets:</b>														
Cash & Cash Equivalents	1,054,959	100,617	32,401	163,022	151,861	92,608	40,294	11,677	7,145	63,713	84,560	(611)	-	1,802,246
Restricted Cash	-	-	63,525	262,468	50,393	15,347	346,410	-	-	50,521	28,657	-	-	817,321
Prepaid Expenses	2,196	-	957	7,110	6,275	34,741	8,935	-	-	4,494	2,672	-	-	67,380
Receivables														
Mgmt Fees	43,704	-	-	-	-	-	-	-	-	-	-	-	-	43,704
Development Fees	987,967	-	-	-	-	-	-	-	-	-	-	-	(25,229)	962,738
Capital Grants														-
Other	26,998	-	198	8,060	5,938	9,337	-	-	-	2,774	80	-	-	53,385
Construction in Progress	3,233,409	-	-	-	-	-	-	-	-	-	-	862,715	-	4,096,124
N/R - Related Parties	5,401,430	269,513	-	-	-	-	-	-	-	-	-	-	(108,000)	5,562,943
N/R - SAM	76,743	-	-	-	-	-	-	-	-	-	-	-	-	76,743
N/R - Employees	8,120	-	-	-	-	-	-	-	-	-	-	-	-	8,120
Investments in LPs	4,723,757	214,745	-	-	-	-	-	1,807,867	314,867	-	-	-	(6,491,303)	569,933
Property & Equip, Net	778,766	-	757,137	4,045,286	1,354,576	3,273,651	6,205,516	-	-	1,110,956	2,629,709	-	-	20,155,597
Financing Fees, Net	4,972	-	2,754	206,151	55,421	31,842	39,998	-	-	27,548	-	-	-	368,686
Security Deposits	2,587	-	-	35,614	47,353	38,371	-	-	-	33,407	34,548	-	-	191,880
<b>Total Assets</b>	<b>16,345,608</b>	<b>584,875</b>	<b>856,972</b>	<b>4,727,711</b>	<b>1,671,817</b>	<b>3,495,897</b>	<b>6,641,153</b>	<b>1,819,544</b>	<b>322,012</b>	<b>1,293,413</b>	<b>2,780,226</b>	<b>862,104</b>	<b>(6,624,532)</b>	<b>34,776,800</b>
<b>Liabilities and Net Assets:</b>														
A/P & Accrued Liabilities	38,856	-	2,500	-	-	6,373	-	-	-	-	-	-	-	47,729
Developer Fee Payable	-	-	25,229	-	-	-	-	-	-	-	-	-	(25,229)	-
Security Deposits	2,586	-	-	35,614	47,353	38,346	-	-	-	33,407	34,548	-	-	191,854
Capital Grants Payable														-
Deferred Liabilities & Prepaid Rent	8,147	-	4	-	264	2,503	-	-	-	77	670	-	-	11,665
Notes Payable	4,376,243	93,000	1,055,342	2,168,895	1,862,796	1,820,565	4,471,005	-	-	1,132,347	1,764,224	861,086	(108,000)	19,497,503
<b>Total Liabilities</b>	<b>4,425,832</b>	<b>93,000</b>	<b>1,083,075</b>	<b>2,204,509</b>	<b>1,910,413</b>	<b>1,867,787</b>	<b>4,471,005</b>	<b>-</b>	<b>-</b>	<b>1,165,831</b>	<b>1,799,442</b>	<b>861,086</b>	<b>(133,229)</b>	<b>19,748,751</b>
<b>Net Income</b>	<b>361,120</b>	<b>44,379</b>	<b>(6,974)</b>	<b>(22,024)</b>	<b>55,763</b>	<b>(13,473)</b>	<b>(105,894)</b>	<b>(175,303)</b>	<b>(177)</b>	<b>74,671</b>	<b>51,986</b>	<b>(5,211)</b>	<b>-</b>	<b>258,863</b>
<b>Non-Controlling Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>445,816</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>445,816</b>
<b>Net Assets</b>	<b>11,558,656</b>	<b>447,496</b>	<b>(219,129)</b>	<b>2,545,226</b>	<b>(294,359)</b>	<b>1,641,583</b>	<b>1,830,226</b>	<b>1,994,847</b>	<b>322,189</b>	<b>52,911</b>	<b>928,798</b>	<b>6,229</b>	<b>(6,491,303)</b>	<b>14,323,370</b>
	<b>16,345,608</b>	<b>584,875</b>	<b>856,972</b>	<b>4,727,711</b>	<b>1,671,817</b>	<b>3,495,897</b>	<b>6,641,153</b>	<b>1,819,544</b>	<b>322,012</b>	<b>1,293,413</b>	<b>2,780,226</b>	<b>862,104</b>	<b>(6,624,532)</b>	<b>34,776,800</b>

INNOVATIVE HOUSING, INC. AND AFFILIATES  
CONSOLIDATING STATEMENT OF UNRESTRICTED REVENUE AND FUNCTIONAL EXPENSES  
For the year ended June 30, 2015

	Innovative Housing, Inc	82nd & Broadway LLC	Bridgeview Housing LLC	Hewitt Place II GP LLC	Innovative Village Square	Whitmarsh Building LLC	Clifford Apartments	ITH Inc	IHI/Musolf LLC	Innovative Kinnaman LLC	Innovative Rich LLC	Innovative Woodland Square	Eliminations	TOTAL
<b>Support &amp; Revenue:</b>														
Grants & Contributions	103,809	-	-	-	-	-	-	-	-	-	-	-	-	103,809
Project Related Grants	105,237	-	-	-	-	-	-	-	-	-	-	-	-	105,237
Partnership & Asset Mgmt Fee	143,077	-	-	-	-	-	-	-	-	-	-	-	(20,604)	122,473
Property Development Fees	1,276,250	-	-	-	-	-	-	-	-	-	-	-	-	1,276,250
Rental Income	40,230	-	106,595	502,054	665,282	531,124	-	11,538	-	416,867	357,022	-	-	2,630,712
Resident Services Fees	160,531	-	-	-	-	-	-	-	-	-	-	-	(45,142)	115,389
Interest Income	280,938	6,912	25	195	301	138	297	7	3	109	193	82,650	-	371,768
Other	135,313	(43)	-	-	-	-	157,999	(165,567)	(31)	-	-	1,450,000	165,562	1,743,233
<b>Total Support &amp; Revenue</b>	<b>2,245,385</b>	<b>6,869</b>	<b>106,620</b>	<b>502,249</b>	<b>665,583</b>	<b>531,262</b>	<b>158,296</b>	<b>(154,022)</b>	<b>(28)</b>	<b>416,976</b>	<b>357,215</b>	<b>1,532,650</b>	<b>99,816</b>	<b>6,468,871</b>
<b>Expenses:</b>														
<b>Program Services</b>														
Asset Mgmt	98,465	-	-	-	-	-	-	-	-	-	-	-	-	98,465
Resident Services	300,832	-	-	-	-	-	-	-	-	-	-	-	-	300,832
Housing Development	257,878	-	-	-	-	-	-	-	-	-	-	-	-	257,878
Property Ownership	114,977	175	120,903	491,633	542,311	666,707	337,487	1,475	175	325,452	293,300	490	(65,746)	2,829,339
<b>Supporting Services</b>														
Mgmt & General	95,432	-	-	-	-	-	-	-	-	-	-	-	-	95,432
Communications	28,611	-	-	-	-	-	-	-	-	-	-	-	-	28,611
Fundraising	33,827	-	-	-	-	-	-	-	-	-	-	-	-	33,827
<b>Total Expenses</b>	<b>930,022</b>	<b>175</b>	<b>120,903</b>	<b>491,633</b>	<b>542,311</b>	<b>666,707</b>	<b>337,487</b>	<b>1,475</b>	<b>175</b>	<b>325,452</b>	<b>293,300</b>	<b>490</b>	<b>(65,746)</b>	<b>3,644,384</b>
<b>Net Income</b>	<b>1,315,363</b>	<b>6,694</b>	<b>(14,283)</b>	<b>10,616</b>	<b>123,272</b>	<b>(135,445)</b>	<b>(179,191)</b>	<b>(155,497)</b>	<b>(203)</b>	<b>91,524</b>	<b>63,915</b>	<b>1,532,160</b>	<b>165,562</b>	<b>2,824,487</b>

INNOVATIVE HOUSING, INC. AND AFFILIATES  
CONSOLIDATING STATEMENT OF UNRESTRICTED REVENUE AND FUNCTIONAL EXPENSES  
For the year ended June 30, 2014

	Innovative Housing, Inc	82nd & Broadway LLC	Bridgeview Housing LLC	Hewitt Place II GP LLC	Innovative Village Square	Whitmarsh Building LLC	Clifford Apartments	ITH Inc	IHI/Musolf LLC	Innovative Kinnaman LLC	Innovative Rich LLC	Innovative Woodland Square	Eliminations	TOTAL
<b>Support &amp; Revenue:</b>														
Grants & Contributions	63,086	-	-	-	-	-	-	-	-	-	-	-	-	63,086
Project Related Grants	202,500	-	-	-	-	-	-	-	-	-	-	-	-	202,500
Partnership & Asset Mgmt Fees	159,276	-	-	-	-	-	-	-	-	-	-	-	(19,950)	139,326
Property Development Fees	226,875	-	-	-	-	-	-	-	-	-	-	-	-	226,875
Rental Income	36,919	-	106,186	512,523	639,279	466,222	-	15,344	-	399,146	340,986	10,488	-	2,527,093
Resident Services Fees	126,338	-	-	-	-	-	-	-	-	-	-	-	(43,677)	82,661
Interest Income	311,181	44,583	39	424	398	314	345	27	8	200	49	-	-	357,568
Other	128,850	(44)	-	-	-	-	233,499	(190,224)	(35)	-	-	-	-	172,046
<b>Total Support &amp; Revenue</b>	<b>1,255,025</b>	<b>44,539</b>	<b>106,225</b>	<b>512,947</b>	<b>639,677</b>	<b>466,536</b>	<b>233,844</b>	<b>(174,853)</b>	<b>(27)</b>	<b>399,346</b>	<b>341,035</b>	<b>10,488</b>	<b>(63,627)</b>	<b>3,771,155</b>
<b>Expenses:</b>														
<b>Program Services</b>														
Asset Mgmt	83,565	-	-	-	-	-	-	-	-	-	-	-	-	83,565
Resident Services	289,464	-	-	-	-	-	-	-	-	-	-	-	-	289,979
Housing Development	214,551	-	-	-	-	-	-	-	-	-	-	-	-	214,554
Property Ownership	157,655	160	113,199	534,971	583,914	480,009	339,738	450	150	324,675	289,049	15,699	(63,627)	2,775,524
<b>Supporting Services</b>														
Mgmt & General	107,869	-	-	-	-	-	-	-	-	-	-	-	-	107,869
Communications	18,168	-	-	-	-	-	-	-	-	-	-	-	-	18,168
Fundraising	22,633	-	-	-	-	-	-	-	-	-	-	-	-	22,633
<b>Total Expenses</b>	<b>893,905</b>	<b>160</b>	<b>113,199</b>	<b>534,971</b>	<b>583,914</b>	<b>480,009</b>	<b>339,738</b>	<b>450</b>	<b>150</b>	<b>324,675</b>	<b>289,049</b>	<b>15,699</b>	<b>(63,627)</b>	<b>3,512,292</b>
<b>Net Income</b>	<b>361,120</b>	<b>44,379</b>	<b>(6,974)</b>	<b>(22,024)</b>	<b>55,763</b>	<b>(13,473)</b>	<b>(105,894)</b>	<b>(175,303)</b>	<b>(177)</b>	<b>74,671</b>	<b>51,986</b>	<b>(5,211)</b>	<b>-</b>	<b>258,863</b>