

INNOVATIVE HOUSING, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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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 statement of financial position as of June 30, 2017 and 2016, 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, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017 and 2016, 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

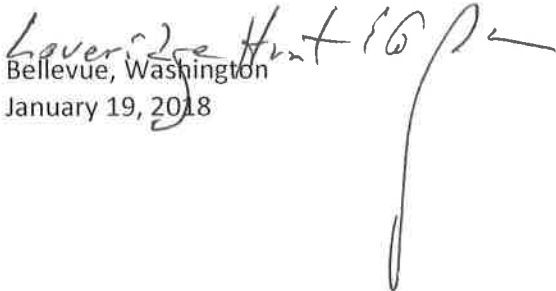
Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information shown on pages 26 to 30 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2018, on our consideration of the Organization's 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance applicable to 2017.

Laverge Hunt
Bellevue, Washington
January 19, 2018



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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2017	2016
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 4,872,125	\$ 4,163,202
Cash - restricted reserves	1,306,382	1,425,503
Prepaid expenses	79,548	74,308
Accounts receivable:		
Management fees	-	25,000
Development fees	728,190	1,176,875
Deposits in Transit	1,166,140	-
Other	68,879	40,134
Investments	<u>2,293,109</u>	<u>2,143,058</u>
	10,514,373	9,048,080
Tenant trust - security deposits	<u>237,585</u>	<u>237,343</u>
Property, leasehold improvements and equipment, at cost:		
Building, leasehold improvements and equipment	24,215,010	24,276,787
Accumulated depreciation	<u>(7,870,668)</u>	<u>(6,974,132)</u>
	16,344,342	17,302,655
Construction in Progress	54,486	463,572
Land	<u>3,645,427</u>	<u>3,645,427</u>
	20,044,255	21,411,654
Other assets:		
Notes receivable - partnerships	14,165,751	13,755,601
Notes receivable - shared appreciation mortgages	41,835	76,743
Investment in limited partnerships	<u>887,702</u>	<u>983,291</u>
	<u>15,095,288</u>	<u>14,815,635</u>
	<u>\$ 45,891,501</u>	<u>\$ 45,512,712</u>

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - (CONTINUED)

	June 30,	
	2017	2016
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 180,780	\$ 276,279
Current portion of notes payable	<u>326,819</u>	<u>311,612</u>
	507,599	587,891
Other liabilities:		
Security deposits payable	238,251	237,980
Prepaid rent	<u>12,724</u>	<u>17,618</u>
	<u>250,975</u>	<u>255,598</u>
Long-term debt:		
Notes payable, net of current portion	<u>24,345,831</u>	<u>25,110,980</u>
Total liabilities	25,104,405	25,954,469
Net assets:		
Unrestricted	15,659,798	14,133,610
Temporarily restricted	<u>5,127,298</u>	<u>5,424,633</u>
Total net assets	<u>20,787,096</u>	<u>19,558,243</u>
	<u>\$ 45,891,501</u>	<u>\$ 45,512,712</u>

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

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

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue:				
Rent	\$ 4,111,371	\$ -	\$ 4,111,371	\$ 3,387,115
Grants and contributions	82,205	-	82,205	322,425
Sale of property	955,654	-	955,654	-
Resident services fees	99,098	-	99,098	131,087
Property development fees	200,000	-	200,000	1,406,250
Partnership and asset management fees	140,812	-	140,812	146,350
Interest	456,266	-	456,266	404,034
Other	<u>190,966</u>	<u>-</u>	<u>190,966</u>	<u>174,652</u>
	6,236,372	-	6,236,372	5,971,913
Expenses:				
Program services:				
Asset management	185,705	-	185,705	126,813
Resident services	377,731	-	377,731	394,203
Housing development	261,499	-	261,499	268,511
Property ownership	<u>3,810,048</u>	<u>-</u>	<u>3,810,048</u>	<u>3,393,167</u>
	4,634,983	-	4,634,983	4,182,694
Management and general Communication	99,041	-	99,041	97,639
	35,308	-	35,308	31,254
Fundraising	<u>47,560</u>	<u>-</u>	<u>47,560</u>	<u>33,503</u>
	<u>4,816,892</u>	<u>-</u>	<u>4,816,892</u>	<u>4,345,090</u>
Change in net assets from operations	\$ <u>1,419,480</u>	\$ <u>-</u>	\$ <u>1,419,480</u>	\$ <u>1,626,823</u>
Gain (loss) from interests in limited partnerships	(190,627)	-	(190,627)	-
Net assets released from restrictions	297,335	(297,335)	-	

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, 2017 (With Comparative Totals for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
Change in net assets	\$ 1,526,188	\$ (297,335)	\$ 1,228,853	\$ 1,626,823
Net assets - beginning of year	14,133,610	5,424,633	19,558,243	17,432,803
Increase in net assets due to transfer of investor interest in Clifford and 527 Morrison	-	-	-	498,617
Net assets - end of year	<u>\$ 15,659,798</u>	<u>\$ 5,127,298</u>	<u>\$ 20,787,096</u>	<u>\$ 19,558,243</u>

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

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

For the Years Ended June 30, 2017 (With Comparative Totals for 2016)

	For the Year Ended June 30, 2017								2017 Total	2016 Total
	Program Services					Supporting Services				
	Asset Management	Resident Services	Housing Development	Property Ownership	Total Programs	Management and General	Communic.	Fundraising		
Payroll	\$ 131,928	\$ 232,536	\$ 198,579	\$ -	\$ 563,043	\$ 51,706	\$ 24,625	\$ 26,350	\$ 665,724	\$ 617,002
Payroll taxes	10,963	20,567	16,130	-	47,660	4,214	2,055	2,155	56,084	53,551
Health benefits	12,144	31,031	15,180	-	58,355	2,001	2,001	2,208	64,565	59,736
Retirement	6,481	8,496	9,485	-	24,462	1,570	636	641	27,309	26,020
Grants and Contributions Expense	659	1,857	674	-	3,190	270	135	150	3,745	1,602
Travel, training	1,507	4,247	1,541	-	7,295	617	308	343	8,563	6,644
Printing	779	2,195	797	-	3,771	319	159	177	4,426	2,151
Telephone & utilities	1,508	4,248	1,542	-	7,298	617	308	343	8,566	9,173
Rent/Occupancy	5,271	14,855	5,391	-	25,517	2,156	1,078	1,198	29,949	26,131
Dues & subscriptions	1,988	5,602	2,033	-	9,623	813	407	452	11,295	8,178
Professional fees & consultants	7,778	778	3,111	-	11,667	3,578	156	1,274	16,675	17,311
Supplies	883	2,488	903	-	4,274	361	181	201	5,017	7,039
Insurance	1,449	4,085	1,482	-	7,016	593	296	329	8,234	8,474
Postage & shipping	174	491	178	-	843	71	36	40	990	720
Depreciation & amortization	-	-	-	924,699	924,699	-	-	-	924,699	995,423
Special events	-	-	-	-	-	-	-	11,201	11,201	6,384
Interest expense	-	-	-	515,473	515,473	-	-	-	515,473	504,257
Equipment rental & maintenance	2,193	6,179	2,243	361,522	372,137	897	449	498	373,981	345,109
Direct program expenses	-	38,076	2,230	2,008,354	2,048,660	29,258	2,478	-	2,080,396	1,650,185
Total	\$ 185,705	\$ 377,731	\$ 261,499	\$ 3,810,048	\$ 4,634,983	\$ 99,041	\$ 35,308	\$ 47,560	\$ 4,816,892	\$ 4,345,090

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, 2017 and 2016
Increase (Decrease) in Cash

	June 30,	
	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,228,853	\$ 1,626,823
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	896,535	871,393
Amortization of debt issuance costs	28,164	124,030
Gain/loss from interest in limited partnerships	-	112,613
Unrealized (Gain)/loss from Investments	(150,051)	(37,570)
Changes in certain assets and liabilities:		
Prepaid expenses	(5,240)	(7,485)
Accounts receivable	(721,200)	476,582
Accounts payable	(95,499)	144,649
Security deposits	29	1,278
Prepaid rent	<u>(4,894)</u>	<u>4,385</u>
Net cash provided by operating activities	1,176,697	3,316,698
Cash flows from investing activities:		
Purchase buildings, leasehold improvements and equipment, net of debt assumed	(48,126)	(376,197)
Purchase of Investments	-	(2,000,000)
Repayment of advances on CIP	450,760	37,577
Payments for CIP	(41,674)	(499,616)
Notes receivable - shared appreciation mortgages	34,908	-
Loans to partnerships	(203,802)	(4,088,897)
Repayment of loans owed by employees	-	1,768
Deposits to restricted reserves	-	(323,857)
Withdrawals from restricted reserves	<u>119,121</u>	<u>837,162</u>
Net cash provided (used) by investing activities	\$ 311,187	\$ (6,412,060)

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, 2017 and 2016
Increase (Decrease) in Cash

	June 30,	
	2017	2016
Cash flows from financing activities:		
Payments of loan fees	-	(44,018)
Proceeds from notes payable	-	8,326,514
Principal payments on notes payable	(778,961)	(4,883,634)
Net cash provided (used) by financing activities	(778,961)	3,398,862
Net increase in cash	708,923	303,500
Cash, beginning of year	4,163,202	3,859,702
Cash, end of year	\$ 4,872,125	\$ 4,163,202
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 515,473	\$ 358,820
Supplemental schedule of noncash investing and financing activities:		
Increase in Investment in Erickson Fritz via reclass of Development Fee Receivable	\$ -	\$ 400,000

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, IHI/Musolf LLC, Hewitt Place II GP LLC, ITH Inc., IHI/Clifford LLC, Innovative Rich LLC, 527 SE Morrison MT LLC, Clifford Apartments, LLC, Innovative Eliot LLC, Innovative Erickson LLC, Innovative Woodland Square LLC, Innovative Center Village, LLC, Innovative KWVS LLC and Innovative Raleigh 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 2016 was 30% of area median income, or \$15,690 per year for an individual and \$22,410 per year for a family of four. In fiscal year 2016-17, IHI closed on financing and began construction of a new 93-unit family project at NW 14th/Raleigh in Portland, was awarded funding by the City of Portland for 50 new family units adjacent to the Magnolia Apartments (referred to as Magnolia 2 because it is a planned second phase for this development site), and entered into purchase and sale agreements for two new properties, one in Astoria, Oregon and one in downtown Portland.

Resident Services - IHI 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.

Asset Management - At the end of fiscal year 2017, IHI is the managing general partner or managing member of 11 Limited Partnerships/Limited Liability Companies that own 1,071 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. In fiscal year 2016-17 IHI assigned its purchase option for 228 units in NE Portland that were exiting the Year 15 tax credit compliance period. The properties were acquired by a third party and exited IHI's portfolio.

Property Ownership - In addition to managing affordable properties owned by unaffiliated LP/LLCs, IHI or wholly controlled affiliates own 418 affordable rental units at nine 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 AND SUBSEQUENT EVENT

Principles of Consolidation

The consolidated financial statements include the accounts of Innovative Housing, Inc., 82nd & Broadway LLC, Bridgeview Housing LLC, IHI/Musolf LLC, Hewitt Place II GP LLC, ITH Inc., Innovative Rich LLC, Innovative Woodland Square LLC, Clifford Apartments LLC, Innovative Center Village and Innovative KWVS, LLC. All entities are single member LLCs wholly controlled by IHI. 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.

Change in Accounting Principle

Effective June 30, 2017, IHI retrospectively adopted the provisions of ASU No. 2015-03 ("ASU 2015-03"), *Simplifying the Presentation of Debt Issuance Costs* (Loan fees). ASU 2015-03 requires that debt issuance (loan) costs related to a recognized debt liability be presented in the statements of net position as a direct deduction from the carrying amount of that debt liability and amortization of debt issuance costs be reported as interest expense. See Note 8 for additional information. The adoption of ASU 2015-03 did not affect IHI's net assets, statements of activities, or cash flows for the years ended June 30, 2017 or 2016.

Debt issuance costs are amortized over the period the obligation is outstanding using the straight-line method. This does not result in a significant difference from the effective interest rate method.

Notes payable originally stated at \$25,475,654 as of June 30, 2016 have been re-presented to \$25,110,980 to reflect \$364,674 of unamortized issuance costs previously included in loan fees.

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, 2017 cash and cash equivalents totaling \$4,872,125 were held by Innovative Housing, Inc. At June 30, 2016, cash and cash equivalents totaled \$4,163,202.

Financial Instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES AND SUBSEQUENT EVENT- (CONTINUED)

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.

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, 2017 and 2016, depreciation expense was \$896,535 and \$871,393, respectively. Improvements, additions and replacements in excess of \$5,000 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, 2017 or 2016, respectively.

Advertising Expenses

Advertising costs are charged to expense as they are incurred.

Income Tax Status

Except for ITH, Inc., 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES AND SUBSEQUENT EVENT - (CONTINUED)

Accounts Receivable and Subsequent Event

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 percent. Accounts receivable are reported at the amount management expects to collect on balances outstanding at June 30, 2017 and 2016. Management closely monitors outstanding balances and writes off all balances deemed uncollectible. No allowance was deemed necessary as all receivables are deemed fully collectible.

In June 2017 Innovative Commons LLC (owned by IHI) sold an option to purchase certain property (located at 5800 Northeast Center Commons Way Portland, OR). Closing occurred in June 2017, however proceeds of the sale were not received until after June 30, 2017. As a result, the \$1,166,140 net proceeds from the sale have been classified as accounts receivable.

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 9.

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, 2017 and 2016, there were no permanently restricted net assets.

Subsequent Events

Management has evaluated events and transactions occurring after June 30, 2017 through January 19, 2018, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - RESTRICTED CASH

Loan agreements between IHI, Oregon Housing and Community Services, the Portland Housing Bureau, 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Capital asset replacement reserves - established to fund the replacement of capital assets	\$ 926,173	\$ 685,598
Other lender/funder required reserves	179,760	538,387
Tax & Insurance Reserves - established to fund the annual payment of insurance	87,863	88,932
Restricted reserve pledged to lender for Center Village development	112,586	112,586
Security Deposits - IHI is required to set up separate accounts in which tenant security deposits are held	<u>237,585</u>	<u>237,343</u>
Total	<u>\$ 1,543,967</u>	<u>\$ 1,662,846</u>

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, 2017 and 2016, the aggregate balances of the receivables were \$41,835 and \$76,743, respectively. Management expects all amounts to be collected. Accordingly, no allowances for uncollectible amounts have been established.

NOTE 5 - NOTES RECEIVABLE - RELATED PARTIES

IHI and affiliates held notes receivable secured by the underlying assets from the following related parties as of June 30, 2017 and 2016. The payment terms are subject to cashflow with interest ranging from 1 percent to 6 percent.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - NOTES RECEIVABLE - RELATED PARTIES - (CONTINUED)

	2017	2016
Notes Receivable - Musolf Manor LP, 3 percent interest compounded annually, payments are subject to Net Cash Flow, maturing October, 2037	\$ 207,392	\$ 250,766
Note Receivable - Owed to 82nd & Broadway by 82nd Ave LP including accrued interest	341,221	288,161
Note Receivable - Eliot for PHB including accrued interest	1,179,562	1,130,135
Note Receivable - Eliot Trust Fund including accrued interest	495,197	474,919
Notes Receivable - Woodland Square, LP including accrued interest	1,921,205	1,822,047
Notes Receivable - Erickson Housing, LP including accrued interest	6,192,026	6,129,838
Note Receivable - Eliot PDC	120,958	114,743
Notes Receivable - 82nd Avenue LP, at 3 percent to 4.32 percent interest, including accrued interest, maturing 2037 to 2043	3,504,388	3,544,992
Note Receivable - Raleigh Predevelopment	<u>203,802</u>	<u>-</u>
Total	<u>\$ 14,165,751</u>	<u>\$ 13,755,601</u>

NOTE 6 - LAND, PROPERTY AND EQUIPMENT

Changes in land, property and equipment are as follows:

	2016	Additions	Dispositions	Reclassification of Fixed Assets	2017
Land and land improvements	\$ 3,645,427	\$ -	\$ -	\$ -	\$ 3,645,427
Buildings and improvements	24,082,412	56,804	(118,185)	-	24,021,031
Furniture and equipment	194,375	-	(396)	-	193,979
Construction in progress	<u>463,572</u>	<u>41,674</u>	<u>(450,760)</u>	<u>-</u>	<u>54,486</u>
	28,385,786	98,478	(569,341)	-	27,914,923
Less accumulated depreciation	<u>(6,974,132)</u>	<u>(896,535)</u>	<u>(1)</u>	<u>-</u>	<u>(7,870,668)</u>
	<u>\$ 21,411,654</u>	<u>\$ (798,057)</u>	<u>\$ (569,342)</u>	<u>\$ -</u>	<u>\$ 20,044,255</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LAND, PROPERTY AND EQUIPMENT - (CONTINUED)

	<u>2015</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Reclassification of Fixed Assets</u>	<u>2016</u>
Land and land improvements	\$ 2,981,290	\$ 664,137	\$ -	\$ -	\$ 3,645,427
Buildings and improvements	22,599,108	1,742,993	(259,689)	-	24,082,412
Furniture and equipment	158,270	44,568	(8,463)	-	194,375
Construction in progress	<u>1,533</u>	<u>499,616</u>	<u>(37,577)</u>	<u>-</u>	<u>463,572</u>
	25,740,201	2,951,314	(305,729)	-	28,385,786
Less accumulated depreciation	<u>(6,366,278)</u>	<u>(871,393)</u>	<u>263,539</u>	<u>-</u>	<u>(6,974,132)</u>
	<u>\$ 19,373,923</u>	<u>\$ 2,079,921</u>	<u>\$ (42,190)</u>	<u>\$ -</u>	<u>\$ 21,411,654</u>

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 percent 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, 2017 and 2016, was \$35,084 and \$36,332, respectively.

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

NOTE 7 - INVESTMENT IN PARTNERSHIPS - (CONTINUED)

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, 2017 and 2016, was \$105,728 and \$110,018, respectively. Asset management fees went down in this fiscal year due to IHI's acquisition of all ownership interests in the Clifford Apartments and subsequent elimination of the fees paid by the Clifford to IHI.

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, 2017 and 2016, were \$200,000 and \$1,406,250, 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, 2017 and 2016, was \$99,098 and \$131,087, respectively. Resident services fees went down in this fiscal year due to IHI's acquisition of all ownership interests in the Clifford Apartments and subsequent elimination of the fees paid by the Clifford to IHI.

NOTE 8 - NOTES PAYABLE

Notes payable as of June 30, 2017 and 2016 consist of the following:

	2017	2016
Note payable to City of Portland for predevelopment work on 14th/Raleigh. 2018. The note charges no interest and there are no monthly payments. The note was paid at construction loan closing in 2017.	\$ -	\$ 319,075
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 2017 and 2016 totaled \$27,207 and \$28,709, respectively.	\$ 1,642,622	\$ 1,685,297

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - NOTES PAYABLE - (CONTINUED)	<u>2017</u>	<u>2016</u>
<p>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 percent are payable in monthly installments of \$6,886; the note matures in April, 2021. Interest expense during 2017 and 2016 totaled \$27,207 and \$28,709, respectively.</p>	\$ 959,213	\$ 1,014,632
<p>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 percent 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 2017 and 2016 totaled \$9,648 and \$10,045, respectively.</p>	140,865	144,619
<p>Note secured by investment in real estate known as Kinnaman, Whitmarsh Building, and Village Square. This note was obtained as part of the transfer of the three properties into Innovative KWVS, LLC. Principal and interest at 3.79 percent are payable in monthly installments of \$20,892; the note matures in January 1, 2026. Interest expense during 2017 and 2016 totaled \$146,528 and \$77,177, respectively.</p>	3,883,337	3,982,734
<p>Note secured by investment in real estate known as Kinnaman, Whitmarsh Building, and Village Square. This note was obtained as part of the transfer of the three properties into Innovative KWVS, LLC. Principal and interest at 5.71 percent are payable in monthly installments of \$3,841; the note matures in January 1, 2026. Interest expense during 2017 and 2016 totaled \$23,973 and \$17,584.</p>	592,050	603,505
<p>Mortgage note payable to Key Bank, secured by investment in real estate known as Hewitt Place Townhomes. Principal and interest at 6.82 percent are payable in monthly installments of \$10,209; the note matures February 28, 2026. Interest expense during 2017 and 2016 totaled \$99,128 and \$101,884, respectively.</p>	\$ 1,416,586	\$ 1,439,964

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - NOTES PAYABLE - (CONTINUED)	<u>2017</u>	<u>2016</u>
<p>Note payable to Portland Housing Bureau secured by real estate known as Center Village Apartments, was assumed in December, 31, 2015, when Innovative Center Village, LLC purchased the property. Interest of 3 percent will accrue on the principal balance and capitalized interest. All outstanding principal balance and accrued interest are due and payable in May 2030. Interest expense during 2017 and 2016 totaled \$11,975 and \$8,955, respectively.</p>	\$ 495,015	\$ 602,264
<p>Note payable to Wells Fargo secured by real estate known as Center Village Apartments, was assumed in December, 31, 2015, when Innovative Center Village, LLC purchased the property. Payments of principal and interest of \$15,926 are due monthly, based on a 360 month amortization schedule, with all outstanding principal and accrued interest due in 2030. Interest expense during 2017 and 2016 totaled \$120,306 and \$51,547, respectively.</p>	1,634,320	1,704,701
<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>	2,244,221	2,290,899
<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. 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 March 1, 2056 if not paid off earlier by annual cash flow payments.</p>	\$ 6,084,262	\$ 6,083,762

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

NOTE 8 - NOTES PAYABLE - (CONTINUED)	<u>2017</u>	<u>2016</u>
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.	\$ 904,320	\$ 904,320
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.	3,350,000	3,350,000
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.	686,493	686,494
Total	25,008,304	25,787,266
Less unamortized debt issuance costs	(335,654)	(364,674)
Less: current maturities of long term debt	<u>(326,819)</u>	<u>(311,612)</u>
Long term debt, net of current maturities	\$ 24,345,831	\$ 25,110,980

The following schedule outlines principal amounts due on the notes:

<u>Year</u>	<u>Amount</u>
2018	\$ 326,819
2019	1,893,313
2020	310,883
2021	1,048,448
2022	393,614
2023 and later years	<u>21,035,227</u>
	<u>\$ 25,008,304</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

The bulk of restricted net assets are 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.

Temporarily restricted net assets are made up of the following grants as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Acquisition and rehabilitation of Hewitt Place Townhomes - American Recovery and Reinvestment funding	\$ 2,734,005	\$ 2,734,005
ARRA net assets released from restrictions	(1,275,861)	(1,093,594)
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
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS - (CONTINUED)	<u>2017</u>	<u>2016</u>
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
Meyer Memorial Trust cost efficiency/Innovations grant	-	149,138
Meyer Memorial Trust sustaining portfolio strategy grant	<u>109,070</u>	<u>75,000</u>
Total	<u>\$ 5,127,298</u>	<u>\$ 5,424,633</u>

NOTE 10 - 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 percent of their salary, subject to the Internal Revenue Service limitations. IHI matches employee contributions up to a maximum of 5 percent of the employee's eligible salary. Employees are immediately 100 percent vested in all employer contributions. For the years ended June 30, 2017 and 2016, IHI contributed \$27,309 and \$26,019 to the plan, respectively.

NOTE 11 - 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - 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.

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.

Developer Payment Guaranty - Raleigh Housing Limited Partnership

IHI, as the owner of the general partner in Raleigh Housing Limited Partnership, is obligated jointly and severally, the full and timely performance and payment of (a) all of the obligations of the Developer under the Development Agreement and (b) all of the obligations of the General Partner under the Partnership Agreement.

NOTE 12 - SUBSEQUENT EVENTS

Construction at NW 14th/Raleigh will continue through 2018. IHI will move forward with due diligence on the two properties it has under contract and continue predevelopment work at Magnolia 2, sharing the costs of the work with the City of Portland on a pro rata basis, 25 percent IHI and 75 percent PHB.

In June 2017 Innovative Commons LLC (owned by IHI) sold an option to purchase certain property (located at 5800 Northeast Center Commons Way Portland, OR). Closing occurred in June 2017, however proceeds of the sale were not received until after June 30, 2017. As a result, the \$1,166,140 net proceeds from the sale have been classified as accounts receivable.



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Innovative Housing, Inc. and Affiliates, a Not-For-Profit Corporation, (the Organization), which comprise the balance sheet as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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 - (CONTINUED)

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 the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Lovridge Hunt! WP
Bellevue, Washington
January 19, 2018



ADDITIONAL INFORMATION

INNOVATIVE HOUSING INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
For the year ended June 30, 2017

	Innovative Housing, Inc	82nd & Broadway LLC	Bridgeview Housing LLC	Hewitt Place II GP LLC	Innovative KWVS	Innovative Center Village	Clifford Apartments	ITH Inc	IHI/Musolf LLC	Innovative Rich LLC	Innovative Woodland Square	Eliminations	TOTAL
Assets:													
Cash & Cash Equivalents	3,084,373	100,475	41,094	241,251	864,149	114,187	82,625	23,406	6,781	310,922	2,862	-	4,872,125
Restricted Cash	-	-	64,772	375,707	133,753	112,586	555,730	-	-	63,834	-	-	1,306,382
Investments	2,293,109	-	-	-	-	-	-	-	-	-	-	-	2,293,109
Prepaid Expenses	7,547	-	3,603	10,373	39,354	6,183	8,861	-	-	3,629	-	-	79,548
Receivables													
Mgmt Fees	102,098	-	-	-	-	-	-	-	-	-	-	(77,098)	25,000
Development Fees	928,164	-	-	-	-	-	-	-	-	-	-	(199,974)	728,190
Deposits in transit	1,166,140	-	-	-	-	-	-	-	-	-	-	-	1,166,140
Other	2,496	-	680	3,998	10,387	2,233	51,078	-	-	2,736	-	(29,728)	43,880
Construction in Progress	54,486	-	-	-	-	-	-	-	-	-	-	-	54,486
N/R - Related Parties	12,356,030	290,063	-	-	-	-	-	-	-	-	1,621,100	(101,442)	14,165,751
N/R - SAM	41,835	-	-	-	-	-	-	-	-	-	-	-	41,835
N/R - Employees	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in LPs	4,462,889	214,620	-	-	-	-	-	-	314,768	-	(54)	(4,104,522)	887,701
Property & Equip, Net	737,965	-	676,682	3,601,969	4,874,934	2,202,874	5,469,692	-	-	2,425,655	-	-	19,989,770
Security Deposits	3,083	-	766	37,773	123,882	25,161	13,535	-	-	33,385	-	-	237,585
Total Assets	25,240,215	605,158	787,597	4,271,071	6,046,459	2,463,223	6,181,520	23,406	321,549	2,840,160	1,623,908	(4,512,764)	45,891,501
Liabilities and Net Assets:													
A/P & Accrued Liabilities	54,090	-	5,438	-	6,159	42,944	73,009	3,881	-	-	-	(4,739)	180,780
Developer Fee Payable	-	-	2,369	-	-	-	197,605	-	-	-	-	(199,974)	-
Security Deposits	3,083	-	766	37,773	123,882	25,161	14,202	-	-	33,385	-	-	238,251
Capital Grants Payable	-	-	6,998	15	2,182	1,045	574	-	-	1,910	-	-	12,724
Deferred Liabilities & Prepaid Ren	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes Payable	9,303,483	93,000	1,043,640	1,923,333	4,371,915	2,109,382	4,277,420	-	-	1,642,622	3,500	(95,644)	24,672,649
Total Liabilities	9,360,655	93,000	1,059,211	1,961,120	4,504,137	2,178,532	4,562,810	3,881	-	1,677,917	3,500	(300,358)	25,104,406
Net Income	1,190,633	6,797	(14,490)	(25,913)	356,872	59,653	(213,522)	(160,058)	(132)	61,435	(1,057)	159,261	1,419,480
Net Assets	14,688,927	505,361	(257,124)	2,335,864	1,185,450	225,037	1,832,232	179,583	321,680	1,100,808	1,621,465	(4,371,668)	19,367,616
	25,240,215	605,158	787,597	4,271,071	6,046,459	2,463,223	6,181,520	23,406	321,549	2,840,160	1,623,908	(4,512,764)	45,891,501

INNOVATIVE HOUSING INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

	Innovative Housing, Inc	82nd & Broadway LLC	Bridgeview Housing LLC	Hewitt Place II GP LLC	Innovative KWVS	Innovative Center Village	Clifford Apartments	ITH Inc	IHI/Musolf LLC	Innovative Rich LLC	Innovative Woodland Square	Eliminations	TOTAL
Support & Revenue:													
Grants & Contributions	82,205	-	-	-	-	-	-	-	-	-	-	-	82,205
Project Related Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Partnership & Asset Mgmt Fee	208,542	-	-	-	-	-	-	-	-	-	-	(67,730)	140,812
Property Development Fees	200,000	-	-	-	-	-	-	-	-	-	-	-	200,000
Rental Income	55,995	-	120,095	506,782	1,709,916	642,444	700,994	-	-	375,145	-	-	4,111,371
Resident Services Fees	183,673	-	-	-	-	-	-	-	-	-	-	(84,576)	99,098
Interest Income	447,043	6,939	28	465	1,143	-	315	14	3	317	-	-	456,266
Other	1,146,738	(42)	-	-	-	-	80,500	(149,113)	(35)	-	(41)	68,613	1,146,620
Total Support & Revenue	2,324,196	6,897	120,123	507,247	1,711,059	642,444	781,809	(149,099)	(32)	375,462	(41)	(83,693)	6,236,372
Expenses:													
Program Services													
Asset Mgmt	185,705	-	-	-	-	-	-	-	-	-	-	-	185,705
Resident Services	377,734	-	-	-	-	-	-	-	-	-	-	-	377,734
Housing Development	261,498	-	-	-	-	-	-	-	-	-	-	-	261,498
Property Ownership	126,720	100	134,612	533,160	1,354,187	582,790	995,331	10,959	100	314,026	1,016	(242,954)	3,810,047
Supporting Services													
Mgmt & General	99,041	-	-	-	-	-	-	-	-	-	-	-	99,041
Communications	35,307	-	-	-	-	-	-	-	-	-	-	-	35,307
Fundraising	47,560	-	-	-	-	-	-	-	-	-	-	-	47,560
Total Expenses	1,133,565	100	134,612	533,160	1,354,187	582,790	995,331	10,959	100	314,026	1,016	(242,954)	4,816,892
Net Income	1,190,631	6,797	(14,490)	(25,914)	356,872	59,654	(213,522)	(160,058)	(132)	61,436	(1,057)	159,261	1,419,480

INNOVATIVE HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
As of June 30, 2016

	Innovative Housing, Inc	82nd & Broadway LLC	Bridgeview Housing LLC	Hewitt Place II GP LLC	Innovative KWVS	Innovative Center Village	52 / 5E Morrison (3/25/16- 6/30/16)	Clifford Apartments	ITH Inc	IHI/Musolf LLC	Innovative Rich LLC	Innovative Woodland Square	Eliminations	TOTAL
Assets:														
Cash & Cash Equivalents	2,489,141	100,480	54,991	229,849	875,300	84,755	20,938	46,499	26,742	6,877	226,252	1,378	-	4,163,202
Restricted Cash	-	-	62,866	417,121	152,842	112,586	259,360	367,061	-	-	53,667	-	-	1,425,503
Investments	2,143,058	-	-	-	-	-	-	-	-	-	-	-	-	2,143,058
Prepaid Expenses	3,835	-	3,754	9,041	40,780	5,592	4,198	3,474	-	-	3,634	-	-	74,308
Receivables														
Mgmt Fees	71,362	-	-	-	-	-	-	-	-	-	-	-	(46,362)	25,000
Development Fees	1,434,644	-	-	-	-	-	-	-	-	-	-	-	(257,769)	1,176,875
Capital Grants														
Other	5,749	-	1,007	3,304	6,677	(4,903)	27,896	-	3,728	-	1,294	-	(4,618)	40,134
Construction in Progress	463,572	-	-	-	-	-	-	-	-	-	-	-	-	463,572
N/R - Related Parties	11,945,282	283,219	-	-	-	-	-	-	-	-	-	1,621,100	(94,000)	13,755,601
N/R - SAM	76,743	-	-	-	-	-	-	-	-	-	-	-	-	76,743
N/R - Employees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in LPs	5,016,486	214,662	-	-	-	-	481,045	-	1,484,370	314,803	-	(13)	(6,528,062)	983,291
Property & Equip, Net	749,814	-	703,501	3,761,566	5,158,531	2,332,958	20,285	5,718,571	-	-	2,502,856	-	-	20,948,082
Security Deposits	2,585	-	-	36,697	124,326	22,938	15,784	-	-	-	35,013	-	-	237,343
Total Assets	24,402,271	598,361	826,119	4,457,578	6,358,455	2,553,926	829,506	6,135,605	1,514,840	321,680	2,822,716	1,622,465	(6,930,811)	45,512,712
Liabilities and Net Assets:														
A/P & Accrued Liabilities	50,170	-	5,149	144,766	19,040	33,015	70,501	-	-	-	-	-	(46,362)	276,279
Developer Fee Payable	-	-	25,229	-	-	-	232,540	-	-	-	-	-	(257,769)	-
Security Deposits	2,585	-	-	36,697	122,945	22,938	17,802	-	-	-	35,013	-	-	237,980
Capital Grants Payable														
Deferred Liabilities & Prepaid Rent	2,179	-	5,872	2,341	3,735	869	1,024	-	-	-	1,598	-	-	17,618
Notes Payable	9,664,112	93,000	1,046,992	1,937,909	4,477,287	2,281,027	-	4,329,967	-	-	1,685,297	1,000	(94,000)	25,422,591
Total Liabilities	9,719,046	93,000	1,083,242	2,121,713	4,623,007	2,337,849	321,867	4,329,967	-	-	1,721,908	1,000	(398,131)	25,954,468
Net Income	1,454,756	6,792	(16,736)	(4,143)	192,504	62,759	(18,877)	(188,422)	(149,207)	(130)	56,108	73,488	157,931	1,626,823
Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Assets	13,228,469	498,569	(240,387)	2,340,008	1,542,944	153,318	526,516	1,994,060	1,664,047	321,810	1,044,700	1,547,977	(6,690,611)	17,931,420
Total Liabilities and Net Assets	24,402,271	598,361	826,119	4,457,578	6,358,455	2,553,926	829,506	6,135,605	1,514,840	321,680	2,822,716	1,622,465	(6,930,811)	45,512,712

INNOVATIVE HOUSING, INC AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended June 30, 2016

	Innovative Housing, Inc	82nd & Broadway LLC	Bridgeview Housing LLC	Hewitt Place II GP LLC	Innovative KWVS	Innovative Center Village	527 SE Morrison (3/25/16- 6/30/16)	Clifford Apartments	ITH Inc	IHI/Musolf LLC	Innovative Rich LLC	Innovative Woodland Square	Eliminations	TOTAL
Support & Revenue:														
Grants & Contributions	322,425	-	-	-	-	-	-	-	-	-	-	-	-	322,425
Project Related Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Partnership & Asset Mgmt Fee:	178,610	-	-	-	-	-	-	-	-	-	-	-	(32,260)	146,350
Property Development Fees	1,406,250	-	-	-	-	-	-	-	-	-	-	-	-	1,406,250
Rental Income	45,805	-	110,380	643,238	1,670,247	316,610	218,119	-	10,084	-	372,632	-	-	3,387,115
Resident Services Fees	191,620	-	-	-	-	-	-	-	-	-	-	-	(60,533)	131,087
Interest Income	306,818	6,932	30	461	828	0	2	302	13	3	195	88,450	-	404,034
Other	68,403	(40)	-	-	-	-	-	160,000	(157,930)	(33)	-	(13)	104,265	174,652
Total Support & Revenue	2,519,931	6,892	110,410	643,699	1,671,075	316,610	218,121	160,302	(147,833)	(30)	372,827	88,437	11,472	5,971,913
Expenses:														
Program Services														
Asset Mgmt	126,813	-	-	-	-	-	-	-	-	-	-	-	-	126,813
Resident Services	394,203	-	-	-	-	-	-	-	-	-	-	-	-	394,203
Housing Development	268,511	-	-	-	-	-	-	-	-	-	-	-	-	268,511
Property Ownership	113,252	100	127,146	647,842	1,478,571	253,851	236,998	348,724	1,374	100	316,719	14,949	(146,459)	3,393,167
Supporting Services														
Mgmt & General	97,639	-	-	-	-	-	-	-	-	-	-	-	-	97,639
Communications	31,254	-	-	-	-	-	-	-	-	-	-	-	-	31,254
Fundraising	33,503	-	-	-	-	-	-	-	-	-	-	-	-	33,503
Total Expenses	1,065,175	100	127,146	647,842	1,478,571	253,851	236,998	348,724	1,374	100	316,719	14,949	(146,459)	4,345,090
Net Income	1,454,756	6,792	(16,736)	(4,143)	192,504	62,759	(18,877)	(188,423)	(149,208)	(130)	56,108	73,488	157,931	1,626,823