

**Corporation for Supportive Housing and
its Subsidiaries**

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

December 31, 2017 and 2016

Corporation for Supportive Housing and its Subsidiaries

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Corporation for Supportive Housing and its Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 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 consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement. The financial statements of certain subsidiaries were not audited in accordance with *Government Auditing Standards* as discussed at Note A in the Notes to Schedule of Expenditures of Federal Awards.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Corporation for Supportive Housing and its Subsidiaries as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and consolidating statements of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2018, on our consideration of Corporation for Supportive Housing and its Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Corporation for Supportive Housing and its Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corporation for Supportive Housing and its Subsidiaries' internal control over financial reporting and compliance.



Bethesda, Maryland
April 26, 2018

Corporation for Supportive Housing and its Subsidiaries

**Consolidated Statements of Financial Position
December 31, 2017 and 2016**

	December 31,	
	2017	2016
	<u>Assets</u>	
Current Assets		
Cash and cash equivalents	\$ 9,768,690	\$ 5,167,029
Cash restricted - administrative agent cash	9,549,109	13,059,984
Investments	20,415,114	19,188,300
Grants and contributions receivable, net	9,382,987	6,422,658
Contracts receivable, net	5,397,895	3,334,840
Loans receivable, net	29,914,688	26,676,124
Other receivables, net	997,187	1,063,491
Prepaid expenses and other assets	312,455	290,554
	<u>85,738,125</u>	<u>75,202,980</u>
Total Current Assets		
Non Current Assets		
Investments	500,000	500,000
Grants and contributions receivable, net	8,097,232	4,900,557
Loans receivable, net	57,589,663	36,250,435
Other receivables, net	335,172	316,584
Property and equipment, net	162,092	273,656
Investments in limited liability companies	13,195	7,695
	<u>66,697,354</u>	<u>42,248,927</u>
Total Non-Current Assets		
	<u>\$ 152,435,479</u>	<u>\$ 117,451,907</u>
Total Assets		

Corporation for Supportive Housing and its Subsidiaries

**Consolidated Statements of Financial Position
December 31, 2017 and 2016**

	December 31,	
	2017	2016
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,406,253	\$ 3,603,936
Advances on contracts	780,880	794,762
Grants payable	7,550,912	4,429,729
Loans payable	7,435,000	935,000
Administrative agent cash distributable	9,549,109	13,059,984
	<u>29,722,154</u>	<u>22,823,411</u>
 Non Current Liabilities		
Grants payable	4,230,000	2,070,000
Loans payable, net of current maturities	77,679,263	58,903,180
	<u>81,909,263</u>	<u>60,973,180</u>
Total Liabilities	<u>111,631,417</u>	<u>83,796,591</u>
 Commitments and contingencies (Note N)	 -	 -
 Net Assets		
Unrestricted	19,478,544	18,341,802
Temporarily restricted	21,325,518	15,313,514
	<u>40,804,062</u>	<u>33,655,316</u>
Total Net Assets	<u>40,804,062</u>	<u>33,655,316</u>
 Total Liabilities and Net Assets	<u>\$ 152,435,479</u>	<u>\$ 117,451,907</u>

See Notes to Consolidated Financial Statements.

Corporation for Supportive Housing and its Subsidiaries

**Consolidated Statements of Activities
Years Ended December 31, 2017 and 2016**

	Year Ended December 31,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Grants and contributions	\$ 1,103,040	\$ 19,954,888	\$ 21,057,928	\$ 125,878	\$ 7,633,348	\$ 7,759,226
In-kind contributions	2,096,577	-	2,096,577	2,291,232	-	2,291,232
Total public support and revenue	3,199,617	19,954,888	23,154,505	2,417,110	7,633,348	10,050,458
Contract services	14,355,064	-	14,355,064	12,427,699	-	12,427,699
Interest and dividend income	368,972	-	368,972	458,026	-	458,026
Interest income - loans	5,136,481	-	5,136,481	4,278,055	-	4,278,055
Fee income - loans	1,188,778	-	1,188,778	782,339	-	782,339
New market tax credit program fees	2,623,021	-	2,623,021	1,932,808	-	1,932,808
Other income	644,000	-	644,000	606,657	-	606,657
	27,515,933	19,954,888	47,470,821	22,902,694	7,633,348	30,536,042
Net assets released from restrictions	13,942,884	(13,942,884)	-	11,660,210	(11,660,210)	-
Total public support and revenue	41,458,817	6,012,004	47,470,821	34,562,904	(4,026,862)	30,536,042
Expenses:						
Program services	35,085,831	-	35,085,831	27,932,823	-	27,932,823
Management and general	4,815,365	-	4,815,365	4,583,544	-	4,583,544
Fund-raising	335,392	-	335,392	273,629	-	273,629
Total expenses	40,236,588	-	40,236,588	32,789,996	-	32,789,996
Changes in net assets before net realized and unrealized losses on investments	1,222,229	6,012,004	7,234,233	1,772,908	(4,026,862)	(2,253,954)
Net realized and unrealized losses on investments	(85,487)	-	(85,487)	(54,216)	-	(54,216)
Changes in net assets	1,136,742	6,012,004	7,148,746	1,718,692	(4,026,862)	(2,308,170)
Net assets - beginning of year	18,341,802	15,313,514	33,655,316	16,623,110	19,340,376	35,963,486
Net assets - end of year	\$ 19,478,544	\$ 21,325,518	\$ 40,804,062	\$ 18,341,802	\$ 15,313,514	\$ 33,655,316

See Notes to Consolidated Financial Statements.

Corporation for Supportive Housing and its Subsidiaries

**Consolidated Statements of Functional Expenses
Years Ended December 31, 2017 and 2016**

	Years Ended December 31,							
	2017				2016			
	Program Services	Management and General	Fund Raising	TOTAL	Program Services	Management and General	Fund Raising	TOTAL
Expenses								
Salaries and wages	\$ 9,379,706	\$ 2,543,280	\$ 236,369	\$ 12,159,355	\$ 9,023,686	\$ 2,457,585	\$ 187,053	\$ 11,668,324
Employee benefits and payroll taxes	2,608,222	709,070	66,550	3,383,842	2,468,160	659,169	55,307	3,182,636
Consultants	3,521,434	82,196	10,000	3,613,630	2,690,088	127,135	-	2,817,223
Professional fees	263,856	283,210	-	547,066	135,100	168,181	4,860	308,141
Rent, utilities, and maintenance	781,605	368,753	16,258	1,166,616	724,564	356,744	17,286	1,098,594
Management information system	18,832	150,007	-	168,839	1,155	180,044	-	181,199
Telephone	111,600	31,851	2,910	146,361	134,676	36,912	2,955	174,543
Supplies	48,701	28,731	796	78,228	43,364	10,708	917	54,989
Equipment repairs and maintenance	40,725	65,147	270	106,142	31,561	70,626	-	102,187
Postage and messenger services	12,741	3,691	330	16,762	13,885	3,550	303	17,738
Duplication	73,114	19,045	1,735	93,894	79,993	18,409	1,404	99,806
Staff travel	889,907	141,792	174	1,031,873	870,661	168,758	1,176	1,040,595
Insurance	3,732	65,488	-	69,220	-	71,019	-	71,019
Other administrative expenses	89,252	102,095	-	191,347	111,557	63,082	171	174,810
Conferences, meetings and seminars	565,110	105,453	-	670,563	642,266	79,984	453	722,703
Grants and direct support	11,885,889	-	-	11,885,889	8,124,619	1,034	1,744	8,127,397
Depreciation and amortization	3,852	107,712	-	111,564	23,493	109,352	-	132,845
Interest	1,810,530	-	-	1,810,530	1,230,182	-	-	1,230,182
In-kind interest and services	2,091,733	4,844	-	2,096,577	2,291,232	-	-	2,291,232
Provision for (Recovery of) bad debt expense	885,290	3,000	-	888,290	(707,419)	1,252	-	(706,167)
	<u>\$ 35,085,831</u>	<u>\$ 4,815,365</u>	<u>\$ 335,392</u>	<u>\$ 40,236,588</u>	<u>\$ 27,932,823</u>	<u>\$ 4,583,544</u>	<u>\$ 273,629</u>	<u>\$ 32,789,996</u>

See Notes to Consolidated Financial Statements.

Corporation for Supportive Housing and its Subsidiaries

**Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016**

	Year Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 7,148,746	\$ (2,308,170)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Conversion of loan payable to grant and contribution revenue	(5,000,000)	-
Depreciation and amortization	111,564	132,845
Provision for (recovery of) bad debt expense	825,965	(707,419)
Net realized and unrealized losses on investments	85,487	54,216
Grants receivable discount	272,511	22,455
Changes in:		
Cash restricted - administrative agent cash	3,510,875	(2,530,395)
Grants and contributions receivable	(6,549,515)	3,136,341
Contracts receivable	(2,068,945)	(643,329)
Other receivables	55,186	(207,089)
Prepaid expenses and other assets	(21,901)	(48,183)
Accounts payable and accrued expenses	802,317	271,273
Advances on contracts	(13,882)	(315,073)
Grants payable	5,281,183	1,049,309
Administrative agent cash distributable	(3,510,875)	2,530,395
	<u>928,716</u>	<u>437,176</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	-	(46,814)
Purchases of investments	(18,322,562)	(2,941,673)
Proceeds from sales of investments	17,004,761	2,508,281
Cash payments under loan obligations	(56,939,043)	(24,968,073)
Cash collections under loan obligations	31,653,706	35,255,371
	<u>(26,603,138)</u>	<u>9,807,092</u>
Net cash (used in) provided by investing activities		
Cash flows from financing activities:		
Proceeds from loans payable	44,850,000	14,200,000
Payments on loans payable	(14,573,917)	(22,545,000)
	<u>30,276,083</u>	<u>(8,345,000)</u>
Net cash provided by (used in) financing activities		
Net increase in cash and cash equivalents	4,601,661	1,899,268
Cash and cash equivalents - beginning of year	5,167,029	3,267,761
Cash and cash equivalents - end of year	<u>\$ 9,768,690</u>	<u>\$ 5,167,029</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 1,608,889</u>	<u>\$ 1,262,194</u>
Significant noncash investing and financing activities		
Loans receivable written off against the allowance for loan loss	<u>\$ 93,915</u>	<u>\$ 20,000</u>

See Notes to Consolidated Financial Statements.

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017 and 2016

Note A - Organization and its significant accounting policies

Organization

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

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

In 2011, CSH became certified as a Community Development Entity ("CDE") under the New Markets Tax Credit ("NMTC") Program of the United States Department of Treasury and, as of December 31, 2017, has been awarded \$130,000,000; and subsequently, in February 2018, has received an additional award of \$50,000,000 in NMTC allocations to support the innovative financing of supportive housing projects throughout the United States. To assist in administering the NMTC Program, during 2011, CSH formed a wholly-owned Delaware Holding Company (the "HC"). In addition, CSH formed four Delaware limited liability companies (the "LLCs") in 2011, six LLCs in 2015 and five LLCs in 2017 to obtain designated equity investments from investors and to make qualified low-income community investments under the terms of the NMTC program. CSH is the managing member of each LLC. As of December 31, 2017, CSH has entered into twelve NMTC based agreements. As the managing member, CSH will be entitled to 0.01% of any income earned by each LLC. In addition, as the managing member, CSH is also entitled to upfront suballocation and structuring fees and annual management fees related to any NMTC-qualified equity investment.

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

During 2016, CSH formed The Denver PFS, LLC, special-purpose vehicle ("Denver PFS SPV") in partnership with Enterprise Community Partners, Inc. and incorporated in the State of Delaware. CSH has a 50% ownership of Denver PFS SPV and serves as project manager. Denver PFS SPV was created for the purposes of entering into a Social Impact Bond Contract with the City and County of Denver, in which if certain outcomes are achieved, Denver PFS SPV will receive success payments and funds will be distributed to lenders to repay loans made to Denver PFS SPV for the project.

During 2017, CSH formed JIR PFS, LLC, special-purpose vehicle ("JIR PFS SPV") in partnership with National Council on Crime and Delinquency and incorporated in the State of Delaware. CSH has a 50% ownership of the JIR PFS SPV and serves as the fiscal agent. The JIR PFS SPV was

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017 and 2016

created for the purposes of entering into a Pay for Success Contract with the County of Los Angeles, in which if certain outcomes are achieved, JIR PFS SPV will receive success payments and funds will be distributed to lenders to repay loans made to JIR PFS SPV for the project.

Principles of consolidation

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

Basis of accounting

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

Use of estimates

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

Cash equivalents

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

Loans receivable

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

Allowance for loan loss

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

Investments

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

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

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017 and 2016

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

Property and equipment

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

Accrued paid time off

CSH's employees are entitled to be paid for unused personal time off ("PTO") time if they leave CSH's employ. Accordingly, at each fiscal year-end, CSH must recognize a liability for the amount that would be incurred if employees with such unused vacation were to leave their employ. At December 31, 2017 and 2016, this accrued vacation obligation was approximately \$1,150,581 and \$1,055,134, respectively.

Deferred rent

CSH records rent expense on a straight-line basis on its office leases that have material fixed annual rental increases. The difference between rent expense and payments made under such leases is reflected as deferred rent and is recorded as a component of accounts payable and accrued expenses on the accompanying consolidated statements of financial position.

Net assets

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

(a) Unrestricted

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

(b) Temporarily restricted

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

(c) Permanently restricted

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

As of December 31, 2017 and 2016, there were no permanently restricted net assets.

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017 and 2016

Grants and contributions

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

Contract services

Revenue from cost-reimbursement contracts is recognized when reimbursable expenses are incurred under the terms of the contracts. Contract proceeds received in advance are recorded as advances from federal, state, local, and private agencies and are presented on the accompanying consolidated statements of financial position as a component of advances on contracts.

Allocation of expenses

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

Grants and direct support

Grants and direct support to others are recognized as expenses in the period the grants are approved. At December 31, 2017, the majority of outstanding grants payable are expected to be paid within one year.

Income taxes

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

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

As of December 31, 2017 and 2016, the HC did not engage in activity requiring the recognition of a deferred tax asset or liability or recording a current provision for income taxes.

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

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017 and 2016

CSH and the HC are required to file and do file tax returns with the IRS and other taxing authorities. Income tax returns filed by CSH and the HC are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2014 remain open.

Fair value measurement

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

Administrative agent cash

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

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

In 2016, in connection with an upcoming Pay for Success investment in Los Angeles, CSH agreed to hold funds in trust from the Conrad N. Hilton Foundation ("Hilton") in the amount of \$3,000,000 for the purpose of investing on behalf of Hilton into a special purpose vehicle ("SPV") formed for this initiative. The SPV formation and investment occurred in 2017.

Subsequent events

Material subsequent events have been considered for recognition and disclosure in these consolidated financial statements through April 26, 2018, the date the consolidated financial statements were available to be issued.

Reclassifications

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

Corporation for Supportive Housing and its Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

Note B - Grants and contributions receivable

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

	December 31,	
	<u>2017</u>	<u>2016</u>
Gross amounts due in:		
One year	\$ 9,382,987	\$ 6,422,658
One to five years	<u>8,561,797</u>	<u>5,092,611</u>
	17,944,784	11,515,269
Less reduction of grants and contributions due in excess of one year, at a discount rate of 5%	<u>(464,565)</u>	<u>(192,054)</u>
	<u>\$ 17,480,219</u>	<u>\$ 11,323,215</u>

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

Note C - Loans receivable

Loans receivable represents short-term and long-term loans made to developers of supportive housing. Loans support the borrowers' predevelopment, acquisition, construction, and "mini-perm" cash flow requirements related to the establishment of permanent supportive housing for individuals and families with special needs. The loan portfolio contains loans with interest rates ranging from 0% to 7.0% and with repayment terms of up to eight years.

Loans receivable consist of the following five primary classes: Acquisition loans, Predevelopment loans, Project Initiation Loans ("PILS"), Mini Permanent loans, and Construction loans.

Acquisition loans are made available to provide financing for real estate acquisition in connection with the development of permanent supportive housing. Acquisition loans are offered alone or in combination with predevelopment loans. Predevelopment loans are made available to fund predevelopment costs - such as architect, engineering and permit fees - incurred prior to the start of construction. PILS are early stage loans designed to encourage real estate developers to take on permanent supportive housing projects by financing the costs related to a project's feasibility stage. Mini-Permanent loans are made available for projects that have completed construction. Construction loans are offered for construction or rehabilitation projects and are offered in partnership with other construction lenders.

Corporation for Supportive Housing and its Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

Loans receivable, by class, as of December 31, 2017 and 2016, were as follows:

	December 31,			
	2017		2016	
Acquisition and Predevelopment	46	\$ 76,465,639	36	\$ 50,178,324
Predevelopment	24	7,171,227	22	7,306,656
Project Initiation Loans	20	1,018,300	24	985,290
Mini Permanent	4	4,823,982	8	5,973,541
Other	1	250,000	0	-
Total loans receivable	<u>95</u>	<u>89,729,148</u>	<u>90</u>	<u>64,443,811</u>
Less: Allowance for uncollectible loans		<u>(2,224,797)</u>		<u>(1,517,252)</u>
Loans receivable, net		<u>\$ 87,504,351</u>		<u>\$ 62,926,559</u>

An aging of loans receivable, by class, as of December 31, 2017 and 2016, is as follows:

December 31, 2017	Current	31-60 Days Past Due	61-90 Days Past Due	91-180 Days Past Due	181+ Days Past Due	Total
Acquisition and Predevelopment	76,465,639	\$ -	\$ -	\$ -	\$ -	\$ 76,465,639
Predevelopment	6,496,103	375,125	300,000	-	-	7,171,228
Project Initiation Loans	968,300	-	-	50,000	-	1,018,300
Mini Permanent	4,823,981	-	-	-	-	4,823,981
Other	250,000	-	-	-	-	250,000
	<u>\$ 89,004,023</u>	<u>\$ 375,125</u>	<u>\$ 300,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 89,729,148</u>

December 31, 2016	Current	31-60 Days Past Due	61-90 Days Past Due	91-180 Days Past Due	181+ Days Past Due	Total
Acquisition and Predevelopment	\$ 50,178,324	\$ -	\$ -	\$ -	\$ -	\$ 50,178,324
Predevelopment	6,578,066	728,590	-	-	-	7,306,656
Project Initiation Loans	960,290	-	-	25,000	-	985,290
Mini Permanent	5,973,541	-	-	-	-	5,973,541
Other	-	-	-	-	-	-
	<u>\$ 63,690,221</u>	<u>\$ 728,590</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 64,443,811</u>

Corporation for Supportive Housing and its Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

As of December 31, 2017 and 2016, the allowance for loan loss by class, is as follows:

December 31, 2017	Beginning Balance	Provision (recovery) for loan loss	Write-off	Recoveries	Total
Acquisition and Predevelopment	\$ 1,068,897	\$ 845,906	\$ -	\$ -	\$ 1,914,803
Predevelopment	141,692	15,695	-	-	157,387
Project Initiation Loans	83,273	28,401	(93,915)	43,915	61,674
Mini Permanent	223,391	(132,458)	-	-	90,933
Other	-	-	-	-	-
	<u>\$ 1,517,253</u>	<u>\$ 757,544</u>	<u>\$ (93,915)</u>	<u>\$ 43,915</u>	<u>\$ 2,224,797</u>

December 31, 2016	Beginning Balance	Provision (recovery) for loan loss	Write-off	Recoveries	Total
Acquisition and Predevelopment	\$ 1,782,527	\$ (798,737)	\$ -	\$ 85,106	\$ 1,068,896
Predevelopment	188,640	(46,948)	-	-	141,692
Project Initiation Loans	136,640	(53,367)	(20,000)	20,000	83,273
Mini Permanent	285,488	(62,097)	-	-	223,391
Other	-	-	-	-	-
	<u>\$ 2,393,295</u>	<u>\$ (961,149)</u>	<u>\$ (20,000)</u>	<u>\$ 105,106</u>	<u>\$ 1,517,252</u>

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

Loans receivable, by class and credit quality category, as of December 31, 2017 and 2016, are as follows:

December 31, 2017	Strong	Good	Acceptable	Weak	Doubtful	Total
Acquisition and Predevelopment	\$ 1,790,800	\$ 58,667,699	\$ 10,815,022	\$ 5,192,118	\$ -	\$ 76,465,639
Predevelopment	-	4,228,775	2,942,453	-	-	7,171,228
Project Initiation Loans	-	-	952,800	25,000	40,500	1,018,300
Mini Permanent	-	4,437,419	386,562	-	-	4,823,981
Other	250,000	-	-	-	-	250,000
	<u>\$ 2,040,800</u>	<u>\$ 67,333,893</u>	<u>\$ 15,096,837</u>	<u>\$ 5,217,118</u>	<u>\$ 40,500</u>	<u>\$ 89,729,148</u>

December 31, 2016	Strong	Good	Acceptable	Weak	Doubtful	Total
Acquisition and Predevelopment	\$ 1,965,547	\$ 34,165,647	\$ 12,065,702	\$ 1,981,428	\$ -	\$ 50,178,324
Predevelopment	-	4,490,533	2,816,123	-	-	7,306,656
Project Initiation Loans	-	-	840,290	120,000	25,000	985,290
Mini Permanent	-	4,088,561	1,434,709	450,271	-	5,973,541
Other	-	-	-	-	-	-
	<u>\$ 1,965,547</u>	<u>\$ 42,744,741</u>	<u>\$ 17,156,824</u>	<u>\$ 2,551,699</u>	<u>\$ 25,000</u>	<u>\$ 64,443,811</u>

Additionally, to further mitigate its risk, CSH secured a \$5,000,000 restricted grant from the City of Los Angeles, to cover loan losses in its Los Angeles loan fund. It also secured a \$435,000 loan from the State of Indiana Housing and Community Development Authority (as disclosed in Note H), and a \$210,000 loan from the Ohio Housing Finance Authority (as disclosed in Note H), with a provision that CSH will not repay any actual losses resulting from providing project-initiation loans underwritten in either of those two states.

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017 and 2016

During the years ended December 31, 2017 and 2016, approximately \$18,626,392 and \$12,364,180, respectively, of loans receivable were modified to include extensions of maturity dates, ranging from one to two years at similar terms for those organizations. As of December 31, 2017 and 2016, \$17,349,856 and \$9,153,867, respectively, of outstanding loans receivable have been restructured in this manner.

As of December 31, 2017 and 2016, there were no loans receivable that were considered impaired or placed on non-accrual status.

CSH has lending policies and procedures in place to underwrite and monitor loans for its portfolio. For each loan, CSH conducts a risk rating analysis based on the loan type (acquisition and predevelopment, predevelopment, project initiation loans, mini permanent, and other) by reviewing the following criteria: management rating, financial condition, real estate development capacity and experience, project viability, collateral, take-out financing status and the local real estate market. Each criterion is rated. The five rating categories are: strong, good, acceptable, weak and doubtful. When the risk rating on a loan has been listed as doubtful, it is considered to be a partially or fully uncollectable loan. The Organization conducts a comprehensive review of all outstanding loans at least annually.

As part of CSH's risk rating analysis, a corresponding reserve has been allocated to each loan in the loan portfolio. The total of these reserves as indicated by CSH's risk rating analysis for the years ended December 31, 2017 and 2016 was \$2,224,797 (2.5% of the loan portfolio) and \$1,517,252 (2.4% of the loan portfolio), respectively.

Note D - Contracts receivable

Contracts receivable consists of amounts due to CSH from federal, state, local and private agencies. All amounts are due within one year. Based on management's evaluation of the collectability of the receivables, at December 31, 2017 and 2016, CSH has recorded an allowance for uncollectible receivables of approximately \$14,745 and \$8,855, respectively.

Contracts are recorded as revenue to the extent that expenses have been incurred for the purposes specified by the underlying contract agreements. For 2017 and 2016, CSH established advances from sources, to the extent amounts received exceed amounts spent, in the amounts of \$780,880 and \$794,762, respectively.

Note E - Other receivables

Other receivables consist primarily of fees and accrued interest relating to CSH's loan portfolio due from unrelated not-for-profit organizations, as disclosed in Note C. Based on management's evaluation of the collectability of the receivables, at December 31, 2017 and 2016, CSH has recorded an allowance for uncollectible receivables of approximately \$47,009 and \$54,479, respectively.

Corporation for Supportive Housing and its Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

Note F - Investments

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

	December 31,			
	2017		2016	
	Fair value	Cost	Fair value	Cost
Corporate and government fixed-income securities	\$ 20,169,386	\$ 20,166,394	\$ 16,892,305	\$ 17,094,508
Money market funds	245,728	245,728	2,295,995	2,295,995
Limited liability company	500,000	500,000	500,000	500,000
	<u>\$ 20,915,114</u>	<u>\$ 20,912,122</u>	<u>\$ 19,688,300</u>	<u>\$ 19,890,503</u>

During each year, investment income consisted of the following:

	Year ended December 31,	
	2017	2016
	Interest and dividends	\$ 368,972
Net unrealized (losses) on investments	(110,189)	(39,837)
Net realized gains (losses) on sales of investments	24,702	(14,379)
	<u>\$ 283,485</u>	<u>\$ 403,810</u>

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

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

Corporation for Supportive Housing and its Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

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

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
Corporate and government fixed-income securities	\$ -	\$ 20,169,386	\$ -	\$ 20,169,386
Money market funds	245,728	-	-	245,728
Limited liability company	-	-	500,000	500,000
	<u>\$ 245,728</u>	<u>\$ 20,169,386</u>	<u>\$ 500,000</u>	<u>\$ 20,915,114</u>

	December 31, 2016			Total
	Level 1	Level 2	Level 3	
Corporate and government fixed-income securities	\$ -	\$ 16,892,305	\$ -	\$ 16,892,305
Money market funds	2,295,995	-	-	2,295,995
Limited liability company	-	-	500,000	500,000
	<u>\$ 2,295,995</u>	<u>\$ 16,892,305</u>	<u>\$ 500,000</u>	<u>\$ 19,688,300</u>

During the year ended December 2015, CSH invested \$500,000 in investment capital in a limited liability company, Massachusetts Alliance for Supportive Housing, LLC ("MASH"), a Massachusetts limited liability company. Massachusetts Housing and Shelter Alliance ("MHSA"), a 501(c)(3) not-for-profit organization, is the 100% owner of MASH. The purpose is to provide investment capital to the Pay for Success Homeless Initiative which provides low threshold permanent supportive housing to high use homeless individuals via a contract with the Commonwealth of Massachusetts. The investment is for a period of six years with a variable rate of interest linked to the success of the Pay for Success Homeless Initiative. The valuation of this investment is based on the best available success rate at the date of the financial statements, at which time no impairment existed.

Note G - Property and equipment

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

	December 31,	
	2017	2016
Furniture and office equipment	\$ 533,158	\$ 533,158
Leasehold improvements	264,187	264,187
	797,345	797,345
Less accumulated depreciation and amortization	<u>(635,253)</u>	<u>(523,689)</u>
	<u>\$ 162,092</u>	<u>\$ 273,656</u>

Corporation for Supportive Housing and its Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

Note H - Loans payable

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

	December 31,	
	2017	2016
Wells Fargo Bank, N.A. note payable; interest is payable annually at 2% through maturity, June 25, 2018.	\$ 1,000,000	\$ 1,000,000
City of Los Angeles note payable; 0% interest through maturity, February 19, 2025.	-	5,000,000
Indiana Housing and Community Development Authority note payable; 0% interest through maturity, September 30, 2018.	435,000	435,000
Mercy Investment Services, Inc. note payable; interest is payable quarterly at 2.5% through maturity, May 25, 2021.	1,000,000	1,000,000
Trinity Health Corporation note payable, interest is payable quarterly at 2% through maturity, July 1 2021	1,500,000	1,500,000
The California Endowment note payable, interest payable quarterly at 2% through maturity, March 31, 2022.	2,000,000	2,000,000
Catholic Health Initiative note payable, interest is payable annually at 2% through maturity, June 1, 2022	500,000	500,000
Opportunity Finance Network note payable, interest is payable quarterly at 3% through maturity, October 31, 2022. Principal is due in annual installments of \$454,545 commencing October 31, 2019 through maturity.	1,818,180	1,818,180
Metropolitan Life Insurance Co. note payable; 0% interest through maturity, March 28, 2018.	6,000,000	6,000,000
Annie E. Casey Foundation line of credit, interest is payable quarterly at 2.0% through maturity, June 26, 2023.	2,225,000	2,000,000
Conrad Hilton Foundation line of credit, interest is payable quarterly at 2.0% through maturity, June 26, 2023.	2,000,000	2,000,000
Deutsche Bank Trust Company America line of credit, interest is payable quarterly based on LIBOR + 2.5% through maturity, June 26, 2022.	8,480,000	4,730,000
Robert Wood Johnson Foundation line of credit, interest is payable quarterly at 2.5% through maturity, June 28, 2023.	1,100,000	845,000
Bank of America line of credit, interest is payable quarterly based on LIBOR + 2.0% through maturity, June 26, 2022.	7,090,000	3,865,000
Robert Wood Johnson Foundation line of credit, interest is payable quarterly at 2.0% through maturity, June 28, 2023.	6,325,000	4,455,000
Morgan Stanley line of credit, interest is payable quarterly based on LIBOR + 2.5% through maturity, June 28, 2022.	11,940,000	6,965,000

Corporation for Supportive Housing and its Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

	December 31,	
	<u>2017</u>	<u>2016</u>
HSBC line of credit, interest is payable quarterly based on LIBOR + 1.75% through maturity, June 26, 2022.	12,054,999	7,035,000
Ohio Housing Finance Agency note payable, 0% note payable principal due October 1, 2019.	210,000	210,000
Conrad N. Hilton Foundation note payable; at 0% through maturity, April 1, 2019.	1,936,085	1,980,000
Conrad N. Hilton Foundation note payable; interest is payable quarterly at 2% through maturity, June 30, 2027	4,000,000	4,000,000
Capital One, NA note payable; interest due quarterly at 1% through maturity, April 1, 2025	1,000,000	1,000,000
Missouri Foundation for Health note payable; interest is payable quarterly at 1.5% through maturity, April 7, 2021.	1,500,000	1,500,000
Dignity Health note payable, interest is payable quarterly at 2.5% through maturity, April 7, 2021.	3,000,000	-
California Community Foundation note payable, interest is payable quarterly at 2.0% through maturity, June 30, 2022.	2,500,000	-
California Community Foundation note payable, interest is payable quarterly at 2.0% through maturity, June 30, 2022.	3,000,000	-
Weingart Foundation note payable, interest is payable quarterly at 2.0% through maturity, June 30, 2022.	2,500,000	-
	<u>\$ 85,114,263</u>	<u>\$ 59,838,180</u>

The required principal payments on the above obligations in each of the five years subsequent to 2017 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
Year Ending December 31, 2018	\$ 7,435,000
2019	2,600,630
2020	454,545
2021	7,454,545
2022	50,519,543

Interest expense for 2017 and 2016 was \$3,872,263 and \$3,336,052, respectively, including \$2,061,733 and \$2,105,870, respectively, of in-kind interest (as disclosed in Note I).

As of December 31, 2017 and December 31, 2016, the Solutions Fund had \$69,450,000 in open lines of credit available to it, of which \$51,215,000 and \$31,895,000, respectively, was drawn and is included as a component of loans payable on the accompanying consolidated statements of financial position. Additionally, the loans payable held by the Solutions Fund are guaranteed by CSH. As of December 31, 2017, no events have occurred that would require the recognition of a guaranty obligation on the consolidated statements of financial position.

Corporation for Supportive Housing and its Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017 and 2016

Note I - In-kind contributions

As disclosed in Note H, loans payable consist of loans that bear either no interest or interest at below-market rates. The difference between interest computed at a reasonable fair-market rate (5%) and at the stated interest rates is included in the accompanying consolidated statements of activities as an in-kind contribution and corresponding expense. This amount was determined to be \$2,061,733 and \$2,105,870 for 2017 and 2016, respectively.

Additionally, during the year ended December 31, 2017 and 2016, CSH received contributed consulting services, with a fair value on the date of donation, of \$34,844 and \$185,362 for 2017 and 2016, respectively.

Note J - Concentration of credit risk

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

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

Note K - Temporarily restricted net assets

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

	December 31,	
	2017	2016
Specific programs:		
Lead supportive housing industry	\$ 7,421,121	\$ 2,883,281
Expand access to supportive housing	3,655,526	5,805,223
Deploy and leverage capital	9,373,081	6,227,671
Improve and sustain quality	875,790	397,339
	<u>\$ 21,325,518</u>	<u>\$ 15,313,514</u>

Corporation for Supportive Housing and its Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

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

	December 31,	
	2017	2016
Specific programs:		
Lead supportive housing industry	\$ 3,570,492	\$ 2,042,468
Expand access to supportive housing	4,704,340	5,762,293
Deploy and leverage capital	4,940,036	3,048,999
Improve and sustain quality	728,016	806,450
	<u>\$ 13,942,884</u>	<u>\$ 11,660,210</u>

Note L - Retirement plan

CSH maintains a Section 403(b) tax-deferred retirement savings plan for the benefit of its employees. Contributions by CSH are discretionary and can be made only with the approval of the Board of Directors. Contributions by CSH during 2017 and 2016 were \$430,930 and \$436,162 respectively.

Note M - New markets tax credit program

As disclosed in Note A, in conjunction with its role as the managing member of the LLCs, CSH earns a fee based on 0.01% of any income earned by each LLC. CSH is also entitled to administrative fees and annual management fees related to any NMTC qualified investment. During the years ended December 31, 2017 and 2016, CSH earned fees totaling \$560,521 and \$345,208 relating to such qualified equity investments, respectively, and are included as a component of new market tax credit program fees on the accompanying consolidated statements of activities. During the years ended December 31, 2017 and 2016, CSH also closed on new Qualified Low-Income Community Investment ("QLICI") loans to five and four projects, which earned \$2,062,500 and \$1,587,600, respectively, in structuring and sub allocation fees, which is also included as a component of new market tax credit program fees on the accompanying consolidated statements of activities.

Corporation for Supportive Housing and its Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2017 and 2016**

Note N - Commitments and contingencies

Litigation

In the ordinary course of business, CSH can be party to certain legal proceedings. In the opinion of management and legal counsel, the resolution of such matters will not have a material impact on CSH's operations or financial condition.

Lease commitments

At December 31, 2017, CSH was obligated under various non-cancelable operating real estate leases expiring through 2024. For years subsequent to 2017, minimum annual future rental commitments under the lease agreements are as follows:

Year Ending December 31,	Amount
Year Ending December 31, 2018	\$ 1,012,320
2019	781,887
2020	655,782
2021	661,567
2022	676,452
Thereafter	<u>750,170</u>
	<u>\$ 4,538,178</u>

Total rent expense for 2017 and 2016 was \$1,155,324 and \$1,088,235, respectively.

Loan commitments

As of December 31, 2017, CSH's Board of Directors had approved loan commitments totaling \$48,581,853. These amounts are expected to be disbursed as loans in 2018.

Grant commitments

As of December 31, 2017, CSH's Board of Directors had approved grant commitments totaling \$1,179,000 where contingent commitments have been issued to grantees. Subject to various closing conditions, these grants are expected to be awarded in 2018.

Government contracts

Government-funded activities are subject to audit by the applicable granting agencies. At December 31, 2017, CSH's program with the Corporation for National and Community Service is under audit. Management believes that the result of the audit will not result in any material obligations.

Supplementary Information

Corporation for Supportive Housing and its Subsidiaries

**Consolidating Statements of Financial Position
December 31, 2017**

Assets

	CSH	SHSF	Total	Eliminations	Consolidated
Current Assets					
Cash and cash equivalents	\$ 8,399,155	\$ 1,369,535	\$ 9,768,690	\$ -	\$ 9,768,690
Cash restricted - administrative agent cash	9,549,109	-	9,549,109	-	9,549,109
Investments	20,415,114	-	20,415,114	-	20,415,114
Grants and contributions receivable, net	9,382,987	-	9,382,987	-	9,382,987
Contracts receivable, net	5,397,895	-	5,397,895	-	5,397,895
Loans receivable, net	8,687,687	21,227,001	29,914,688	-	29,914,688
Other receivables, net	1,647,967	485,877	2,133,844	(1,136,657)	997,187
Prepaid expenses and other assets	312,455	-	312,455	-	312,455
Total Current Assets	63,792,369	23,082,413	86,874,782	(1,136,657)	85,738,125
Non Current Assets					
Investments	500,000	-	500,000	-	500,000
Grants and contributions receivable, net	8,097,232	-	8,097,232	-	8,097,232
Loans receivable, net	24,241,009	37,463,654	61,704,663	(4,115,000)	57,589,663
Other receivables, net	205,314	129,858	335,172	-	335,172
Property and equipment, net	162,092	-	162,092	-	162,092
Investments in limited liability companies	13,195	-	13,195	-	13,195
Total Non Current Assets	33,218,842	37,593,512	70,812,354	(4,115,000)	66,697,354
Total Assets	\$ 97,011,211	\$ 60,675,925	\$ 157,687,136	\$ (5,251,657)	\$ 152,435,479

Corporation for Supportive Housing and its Subsidiaries

**Consolidating Statements of Financial Position
December 31, 2017**

	<u>Liabilities and Net Assets</u>				
	<u>CSH</u>	<u>SHSF</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current Liabilities					
Accounts payable and accrued expenses	\$ 4,067,787	\$ 1,475,123	\$ 5,542,910	\$ (1,136,657)	\$ 4,406,253
Advances on contracts	780,880	-	780,880	-	780,880
Grants payable	7,550,912	-	7,550,912	-	7,550,912
Loans payable	7,435,000	-	7,435,000	-	7,435,000
Administrative agent cash distributable	9,549,109	-	9,549,109	-	9,549,109
Total Current Liabilities	29,383,688	1,475,123	30,858,811	(1,136,657)	29,722,154
Non Current Liabilities					
Grants payable	4,230,000	-	4,230,000	-	4,230,000
Loans payable, net of current maturities	26,464,265	55,329,998	81,794,263	(4,115,000)	77,679,263
Total Non Current Liabilities	30,694,265	55,329,998	86,024,263	(4,115,000)	81,909,263
Total Liabilities	60,077,953	56,805,121	116,883,074	(5,251,657)	111,631,417
Commitments and contingencies (Note N)	-	-	-	-	-
Net Assets					
Unrestricted	15,607,740	3,870,804	19,478,544	-	19,478,544
Temporarily restricted	21,325,518	-	21,325,518	-	21,325,518
Total Net Assets	36,933,258	3,870,804	40,804,062	-	40,804,062
Total Liabilities and Net Assets	\$ 97,011,211	\$ 60,675,925	\$ 157,687,136	\$ (5,251,657)	\$ 152,435,479

Corporation for Supportive Housing and its Subsidiaries

**Consolidating Statements of Financial Position
December 31, 2016**

Assets

	<u>CSH</u>	<u>SHSF</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current Assets					
Cash and cash equivalents	\$ 4,761,701	\$ 405,328	\$ 5,167,029	\$ -	\$ 5,167,029
Cash restricted - administrative agent cash	13,059,984	-	13,059,984	-	13,059,984
Investments	13,517,182	5,671,118	19,188,300	-	19,188,300
Grants and contributions receivable, net	6,422,658	-	6,422,658	-	6,422,658
Contracts receivable, net	3,334,840	-	3,334,840	-	3,334,840
Loans receivable, net	4,662,961	22,013,163	26,676,124	-	26,676,124
Other receivables, net	1,779,873	785,286	2,565,159	(1,501,668)	1,063,491
Prepaid expenses and other assets	290,554	-	290,554	-	290,554
Total Current Assets	47,829,753	28,874,895	76,704,648	(1,501,668)	75,202,980
Non Current Assets					
Investments	500,000	-	500,000	-	500,000
Grants and contributions receivable, net	4,900,557	-	4,900,557	-	4,900,557
Loans receivable, net	22,288,339	19,057,096	41,345,435	(5,095,000)	36,250,435
Other receivables, net	237,067	79,517	316,584	-	316,584
Property and equipment, net	273,656	-	273,656	-	273,656
Investments in limited liability companies	7,695	-	7,695	-	7,695
Total Non Current Assets	28,207,314	19,136,613	47,343,927	(5,095,000)	42,248,927
Total Assets	\$ 76,037,067	\$ 48,011,508	\$ 124,048,575	\$ (6,596,668)	\$ 117,451,907

Corporation for Supportive Housing and its Subsidiaries

**Consolidating Statements of Financial Position
December 31, 2016**

	<u>Liabilities and Net Assets</u>				
	<u>CSH</u>	<u>SHSF</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current Liabilities					
Accounts payable and accrued expenses	\$ 3,426,251	\$ 1,679,353	\$ 5,105,604	\$ (1,501,668)	\$ 3,603,936
Advances on contracts	794,762	-	794,762	-	794,762
Grants payable	4,429,729	-	4,429,729	-	4,429,729
Loans payable	935,000	-	935,000	-	935,000
Administrative agent cash distributable	13,059,984	-	13,059,984	-	13,059,984
Total Current Liabilities	<u>22,645,726</u>	<u>1,679,353</u>	<u>24,325,079</u>	<u>(1,501,668)</u>	<u>22,823,411</u>
Non Current Liabilities					
Grants payable	2,070,000	-	2,070,000	-	2,070,000
Loans payable, net of current maturities	27,008,180	36,990,000	63,998,180	(5,095,000)	58,903,180
Total Non Current Liabilities	<u>29,078,180</u>	<u>36,990,000</u>	<u>66,068,180</u>	<u>(5,095,000)</u>	<u>60,973,180</u>
Total Liabilities	<u>51,723,906</u>	<u>38,669,353</u>	<u>90,393,259</u>	<u>(6,596,668)</u>	<u>83,796,591</u>
Commitments and contingencies (Note N)	-	-	-	-	-
Net Assets					
Unrestricted	8,999,647	9,342,155	18,341,802	-	18,341,802
Temporarily restricted	15,313,514	-	15,313,514	-	15,313,514
Total Net Assets	<u>24,313,161</u>	<u>9,342,155</u>	<u>33,655,316</u>	<u>-</u>	<u>33,655,316</u>
Total Liabilities and Net Assets	<u>\$ 76,037,067</u>	<u>\$ 48,011,508</u>	<u>\$ 124,048,575</u>	<u>\$ (6,596,668)</u>	<u>\$ 117,451,907</u>

Corporation for Supportive Housing and its Subsidiaries

**Consolidating Statements of Activities
Year Ended December 31, 2017**

	Unrestricted				Temporarily restricted			Consolidated Total	
	CSH	SHSF	Total	Eliminations	Consolidated	CSH	SHSF		Consolidated
Public support and revenue:									
Grants and contributions	\$ 1,103,040	\$ -	\$ 1,103,040	\$ -	\$ 1,103,040	\$ 19,954,888	\$ -	\$ 19,954,888	\$ 21,057,928
In-kind contributions	1,122,649	973,928	2,096,577	-	2,096,577	-	-	-	2,096,577
Total public support and revenue	2,225,689	973,928	3,199,617	-	3,199,617	19,954,888	-	19,954,888	23,154,505
Contract services	14,355,064	-	14,355,064	-	14,355,064	-	-	-	14,355,064
Interest and dividend income	368,958	14	368,972	-	368,972	-	-	-	368,972
Interest income - loans	1,978,139	3,158,342	5,136,481	-	5,136,481	-	-	-	5,136,481
Fee income - loans	442,574	746,204	1,188,778	-	1,188,778	-	-	-	1,188,778
New market tax credit program fees	2,623,021	-	2,623,021	-	2,623,021	-	-	-	2,623,021
Other income	2,196,763	320,520	2,517,283	(1,873,283)	644,000	-	-	-	644,000
	24,190,208	5,199,008	29,389,216	(1,873,283)	27,515,933	19,954,888	-	19,954,888	47,470,821
Net assets released from restrictions	13,942,884	-	13,942,884	-	13,942,884	(13,942,884)	-	(13,942,884)	-
Total public support and revenue	38,133,092	5,199,008	43,332,100	(1,873,283)	41,458,817	6,012,004	-	6,012,004	47,470,821
Expenses:									
Program activities									
Program services	32,768,354	4,190,760	36,959,114	(1,873,283)	35,085,831	-	-	-	35,085,831
Management and general	4,810,264	5,101	4,815,365	-	4,815,365	-	-	-	4,815,365
Fund-raising	335,392	-	335,392	-	335,392	-	-	-	335,392
Total expenses	37,914,010	4,195,861	42,109,871	(1,873,283)	40,236,588	-	-	-	40,236,588
Changes in net assets before net realized and unrealized losses on investments	219,082	1,003,147	1,222,229	-	1,222,229	6,012,004	-	6,012,004	7,234,233
Net realized and unrealized losses on investments	(85,487)	-	(85,487)	-	(85,487)	-	-	-	(85,487)
Changes in net assets	133,595	1,003,147	1,136,742	-	1,136,742	6,012,004	-	6,012,004	7,148,746
Net assets - beginning of year	15,474,145	2,867,657	18,341,802	-	18,341,802	15,313,514	-	15,313,514	33,655,316
Net assets - end of year	\$ 15,607,740	\$ 3,870,804	\$ 19,478,544	\$ -	\$ 19,478,544	\$ 21,325,518	\$ -	\$ 21,325,518	\$ 40,804,062

Corporation for Supportive Housing and its Subsidiaries

**Consolidating Statements of Activities
Year Ended December 31, 2016**

	Unrestricted				Temporarily restricted			Consolidated Total	
	CSH	SHSF	Total	Eliminations	Consolidated	CSH	SHSF		Consolidated
Public support and revenue:									
Grants and contributions	\$ 125,878	\$ -	\$ 125,878	\$ -	\$ 125,878	\$ 7,633,348	\$ -	\$ 7,633,348	\$ 7,759,226
In-kind contributions	1,316,525	974,707	2,291,232	-	2,291,232	-	-	-	2,291,232
Total public support and revenue	1,442,403	974,707	2,417,110	-	2,417,110	7,633,348	-	7,633,348	10,050,458
Contract services	12,427,699	-	12,427,699	-	12,427,699	-	-	-	12,427,699
Interest and dividend income	457,715	311	458,026	-	458,026	-	-	-	458,026
Interest income - loans	1,594,941	2,683,114	4,278,055	-	4,278,055	-	-	-	4,278,055
Fee income - loans	472,232	310,107	782,339	-	782,339	-	-	-	782,339
New market tax credit program fees	1,932,808	-	1,932,808	-	1,932,808	-	-	-	1,932,808
Other income	2,212,850	99,106	2,311,956	(1,705,299)	606,657	-	-	-	606,657
	20,540,648	4,067,345	24,607,993	(1,705,299)	22,902,694	7,633,348	-	7,633,348	30,536,042
Net assets released from restrictions	11,660,210	-	11,660,210	-	11,660,210	(11,660,210)	-	(11,660,210)	-
Total public support and revenue	32,200,858	4,067,345	36,268,203	(1,705,299)	34,562,904	(4,026,862)	-	(4,026,862)	30,536,042
Expenses:									
Program activities									
Program services	27,360,158	2,277,964	29,638,122	(1,705,299)	27,932,823	-	-	-	27,932,823
Management and general	4,575,517	8,027	4,583,544	-	4,583,544	-	-	-	4,583,544
Fund-raising	273,629	-	273,629	-	273,629	-	-	-	273,629
Total expenses	32,209,304	2,285,991	34,495,295	(1,705,299)	32,789,996	-	-	-	32,789,996
Changes in net assets before net realized and unrealized losses on investments	(8,446)	1,781,354	1,772,908	-	1,772,908	(4,026,862)	-	(4,026,862)	(2,253,954)
Net realized and unrealized losses on investments	(54,216)	-	(54,216)	-	(54,216)	-	-	-	(54,216)
Changes in net assets	(62,662)	1,781,354	1,718,692	-	1,718,692	(4,026,862)	-	(4,026,862)	(2,308,170)
Net assets - beginning of year	15,536,807	1,086,303	16,623,110	-	16,623,110	19,340,376	-	19,340,376	35,963,486
Net assets - end of year	\$ 15,474,145	\$ 2,867,657	\$ 18,341,802	\$ -	\$ 18,341,802	\$ 15,313,514	\$ -	\$ 15,313,514	\$ 33,655,316

Corporation for Supportive Housing and its Subsidiaries

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Supportive Housing Programs	14.235			\$ 460,943
Community Compass Technical Assistance and Capacity (TAC) Building Programs:				
TAC Building Program - Direct	14.259		\$ 850,200	<u>2,562,242</u>
Rural Capacity Building for Community Development and Affordable Housing Grants:				
Pass-through Rural Capacity Building for Community Development Affordable Housing Grants	14.265			<u>80,726</u>
Continuum of Care (CoC) Programs:				
CoC - Direct	14.267			106,843
Pass-through Muskegon Community Health Project	14.267	MI0489L5F161500		15,099
Pass-through City of Chicago	14.267	IL0626L5T101500	177,393	291,353
Pass-through City of Chicago	14.267	IL0626L5T101601	4,531	4,531
Pass-through City of Philadelphia	14.267	PA0784LT001600		45,375
Pass-through Indiana Housing and Community Development Authority	14.267	COCPG-2017-004		12,323
Pass-through Connecticut Department of Mental Health & Addiction Services	14.267	CT0276L1E051500		12,288
Pass-through Connecticut Department of Mental Health & Addiction Services	14.267	CT0252L1E051300-CT0263L1E0514	174,639	<u>174,639</u>
Total Continuum of Care Programs			<u>356,563</u>	<u>662,451</u>
Pay for Success Permanent Supportive Housing Demonstration	14.273			<u>123,745</u>
Total U.S. Department of Housing and Urban Development			<u>1,206,763</u>	<u>3,890,107</u>
U.S. Department of Treasury:				
Community Development Financial Institutions (CDFI) Cluster CDFI Programs	21.020			<u>3,653,000</u>
U.S. Department of Health and Human Services:				
Health Resources and Services Administration Program: Technical and Non-Financial Assistance to Health Centers	93.129		39,142	<u>313,689</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			<u>49,000</u>
Development Disabilities Basic Support and Advocacy Grants: Pass-through Illinois Council on Developmental Disabilities	93.630	1093	4,914	<u>161,687</u>
Child Abuse and Neglect Discretionary Activities: Pass-through State of New Jersey Department of Children and Families	93.670	1610-122		<u>33,571</u>
Total U.S. Department of Health and Human Services			<u>44,056</u>	<u>557,947</u>
U.S. Department for National and Community Service:				
Social Innovation Fund Programs (SIF)	94.019		458,395	613,154
SIF Pay for Success Programs (SIF PFS):				
SIF PFS - Direct	94.024		30,000	314,203
SIF PFS Pass-through Program from The Ending Community Homeless Coalition	94.024	2016-SIF12		60,472
SIF PFS Pass-through Program from Project HOME	94.024	2017-SIF20		45,536
SIF PFS Pass-through Program from State of Oklahoma Department of Mental Health and Substance Abuse Services	94.024	2017-SIF19		<u>51,672</u>
Total SIF PFS Programs				<u>471,883</u>
Total U.S. Department for National and Community Service			<u>488,395</u>	<u>1,085,037</u>
Total Expenditures of Federal Awards			<u>\$ 1,739,214</u>	<u>\$ 9,186,091</u>

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Corporation for Supportive Housing and its Subsidiaries

Notes to Schedule of Expenditures of Federal Awards December 31, 2017

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Corporation for Supportive Housing and its Subsidiaries under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Corporation for Supportive Housing and its Subsidiaries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Corporation for Supportive Housing and its Subsidiaries. The financial statements of certain subsidiaries included in the consolidated financial statements were not audited in accordance with *Government Auditing Standards* as they are not subject to the requirements under the Uniform Guidance.

Note B - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, "Cost Principles for Non-Profit Organizations" or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Corporation for Supportive Housing and its Subsidiaries has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note C - Community Development Financial Institutions (CDFI) Fund Programs

CFDA Number 21.020, CDFI Fund Programs, represents the amount of funds held by CSH as of December 31, 2017, that are utilized through a revolving loan fund program, either as loans outstanding or as the funded portion of an allowance for loan loss and are subject to ongoing compliance requirements from the U.S. Department of the Treasury.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Corporation for Supportive Housing and its Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 26, 2018. The financial statements of certain subsidiaries were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these subsidiaries.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corporation for Supportive Housing and its Subsidiaries' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Bethesda, Maryland
April 26, 2018

Independent Auditor's Report on Compliance for The Major Federal Program and on
Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for The Major Federal Program

We have audited Corporation for Supportive Housing and its Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Corporation for Supportive Housing and its Subsidiaries' major federal program for the year ended December 31, 2017. Corporation for Supportive Housing and its Subsidiaries' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Corporation for Supportive Housing and its Subsidiaries' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Corporation for Supportive Housing and its Subsidiaries' compliance with these requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major program. However, our audit does not provide a legal determination of Corporation for Supportive Housing and its Subsidiaries' compliance.

Opinion on The Major Federal Program

In our opinion, Corporation for Supportive Housing and its Subsidiaries complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of Corporation for Supportive Housing and its Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Corporation for Supportive Housing and its Subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on the major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Corporation for Supportive Housing and its Subsidiaries' internal control over compliance.

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

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

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



Bethesda, Maryland
April 26, 2018

Corporation for Supportive Housing and its Subsidiaries

**Schedule of Findings and Questioned Costs
December 31, 2017**

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of Corporation for Supportive Housing and its Subsidiaries were prepared in accordance with generally accepted accounting principles.
2. No material weaknesses related to the audit of the consolidated financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No significant deficiencies were reported.
3. No instances of noncompliance material to the consolidated financial statements of Corporation for Supportive Housing and its Subsidiaries, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses in internal control over the major federal award program were disclosed during the audit and reported in the Independent Auditor's Report on Compliance for The Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance. No significant deficiencies were reported.
5. The auditor's report on compliance for the major federal award program for Corporation for Supportive Housing and its Subsidiaries expresses an unmodified opinion on the major federal program.
6. There are no audit findings required to be reported in accordance with 2 CFR Section 200.516(a) in this Schedule.
7. The program tested as a major program was:

U.S. Department of Treasury - Community Development Financial Institutions Fund, CFDA No. 21.020
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. Corporation for Supportive Housing and its Subsidiaries was determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

None