CHICAGO METROPOLITAN HOUSING DEVELOPMENT CORPORATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

Consolidated Financial Statements and Independent Auditors' Report

For the Year Ended December 31, 2015

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PRADO & RENTERIA
Certified Public Accountants

1837 S. Michigan Ave., Chicago, Illinois 60616
TEL (312) 567-1330 FAX (312) 567-1360
www.pradorenteria.com

INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
CHICAGO METROPOLITAN HOUSING DEVELOPMENT CORPORATION
Chicago, Illinois

We have audited the accompanying consolidated financial statements of ***CHICAGO METROPOLITAN HOUSING DEVELOPMENT CORPORATION*** **("CMHDC")** (an Illinois not-for-profit corporation), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 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 CMHDC as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidated financial statements of **CMHDC** for the year ended December 31, 2014, and we expressed an unmodified opinion on those consolidated financial statements in our report dated June 30, 2015. In our opinion, the summarized consolidated comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedule of financial position and consolidating schedule of activities on pages 31-33 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 taken as a whole.

Prado & Renteria

Chicago, Illinois
June 23, 2016

CHICAGO METROPOLITAN HOUSING DEVELOPMENT CORPORATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014)

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 4,032,200	$ 4,342,114
Tenant accounts receivable (Less: Allowance for doubtful accounts of $55,555 and $55,555 for 2015 and 2014, respectively)	62,994	53,939
Account receivable - Consulting	34,227	35,507
Escrow	830,765	806,747
Prepaid expenses	313,969	331,520
Note receivable - short-term portion	14,001	13,386
Total Current Assets	5,288,156	5,583,213
Land, Buildings and Equipment		
Building Improvements in progress	35,600	-
Land, Building and Improvements	72,739,433	67,779,252
Office equipment and furniture	228,697	161,462
Automobiles	28,786	28,786
	73,032,516	67,969,500
Less: Accumulated depreciation	(20,164,253)	(16,360,445)
Total Fixed Assets	52,868,263	51,609,055
Other Assets		
Finance cost	106,696	132,678
Restricted investments - security deposits	231,018	231,079
Notes receivable - long-term portion	597,804	611,945
Total Other Assets	935,518	975,702
TOTAL ASSETS	$ 59,091,937	$ 58,167,970

The accompanying Notes are an integral part of these consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014)

	2015	2014
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 509,026	$ 230,862
Prepaid rent	13,413	7,801
Accrued compensated absences	31,832	31,144
Accrued real estate taxes	1,012,395	987,556
Accrued expenses	153,143	109,080
Tenant security deposits	170,859	179,722
NSP loan - Leland - short-term portion	68,760	68,760
Loans payable - short-term portion	1,245,240	74,453
Mortgages payable - short-term portion	711,837	659,443
Notes payables - short-term portion	51,078	50,073
1602 Grant funds - short-term portion	262,840	262,840
Total Current Liabilities	4,230,423	2,661,734
Long-Term Liabilities		
Developer fee	85,567	213,082
Deferred interest payable	378,129	354,959
Subsidy - City of Chicago-Domain	238,624	285,664
Tax Credit - City of Chicago-Diversey	281,636	281,636
NSP loan - Leland - long-term portion	1,098,254	1,168,924
Loans payable - long-term portion	3,307,264	4,806,252
Mortgages payable - long-term portion	27,694,166	26,765,565
Notes payable - long-term portion	3,109,664	3,159,299
1602 Grant funds - long-term portion	2,628,420	2,891,260
Total Long-Term Liabilities	38,821,724	39,926,641
Total Liabilities	43,052,147	42,588,375
Net Assets		
Unrestricted	16,039,790	15,579,595
TOTAL LIABILITIES AND NET ASSETS	$ 59,091,937	$ 58,167,970

The accompanying Notes are an integral part of these consolidated Financial Statements.

CHICAGO METROPOLITAN HOUSING DEVELOPMENT CORPORATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014)

	2015	2014
Revenues and Other Support		
Program income - rental income	$ 8,343,236	$ 7,450,215
Consulting revenue	110,749	110,999
Developer fee	172,599	-
Grant funds-NSP	70,670	68,760
Grant funds-1602	262,840	262,840
Income from affiliates	33,843	-
Gain on sale of property	877,071	124,404
Contribution from acquisition of interest in limited partnership	401,999	-
Other operating income	330,592	167,956
Interest income	29,997	31,659
Total Revenues and Other Support	10,633,596	8,216,833
Expenses		
Program services:		
Properties	9,990,816	9,228,409
Support services:		
Management and general	182,585	150,460
Total Expenses	10,173,401	9,378,869
Change in Net Assets	460,195	(1,162,036)
Net Assets at Beginning of Year	15,579,595	16,741,631
NET ASSETS AT END OF YEAR	$ 16,039,790	$ 15,579,595

The accompanying Notes are an integral part of these consolidated Financial Statements.

CHICAGO METROPOLITAN HOUSING DEVELOPMENT CORPORATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014)

	Program Services	Support Services	2015	2014
	Properties	Management and General	Total Expenses	Total Expenses
EXPENSES				
Employee Compensation				
Salaries	$ 620,757	$ 19,199	$ 639,956	$ 602,668
Payroll taxes	28,447	1,497	29,944	53,325
Total Employee Compensation	649,204	20,696	669,900	655,993
Other Expenses				
Advertising	143,145	-	143,145	132,347
Amortization	25,981	-	25,981	17,604
Assessment fees	192,788	-	192,788	183,618
Automobile Expense	15,604	821	16,425	12,223
Bank service charges	-	-	-	789
Bad debt expense	18,750	-	18,750	-
Janitorial services	445,849	-	445,849	90,053
Dues and subscriptions	-	-	-	3,054
Development	39,314	-	39,314	34,228
Employee benefits	120,457	6,052	126,509	106,944
Insurance	373,475	-	373,475	353,768
Interest	1,365,746	-	1,365,746	1,277,710
Property management fees	478,659	-	478,659	426,764
Miscellaneous expenses	24,107	-	24,107	1,381
Office expense	131,479	55,220	186,699	121,314
Prepayment penalty	-	-	-	90,692
Professional fees	440,764	80,561	521,325	371,848
Property taxes	968,813	-	968,813	949,754
Rent	31,013	16,699	47,712	52,348
Repairs and maintenance	1,226,859	-	1,226,859	1,387,124
Telephone	10,513	2,536	13,049	16,962
Utilities	1,058,599	-	1,058,599	1,141,369
Total Expenses Before Depreciation	7,761,119	182,585	7,943,704	7,427,887
Depreciation	2,229,697	-	2,229,697	1,950,982
TOTAL EXPENSES	$ 9,990,816	$ 182,585	$ 10,173,401	$ 9,378,869

The accompanying Notes are an integral part of these consolidated Financial Statements.

CHICAGO METROPOLITAN HOUSING DEVELOPMENT CORPORATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 460,195	$ (1,162,036)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,229,697	1,950,982
Amortization	25,981	17,604
Bad debts	18,750	-
(Gain) on sale of property	(877,071)	(124,404)
Contribution from acquisition of interest in limited partnership	(401,999)	-
Changes in assets and liabilities:		
Escrow	(24,018)	(117,699)
Prepaid expenses	17,551	(63,142)
Subsidy - City of Chicago-Domain	(47,040)	(47,040)
Tenant rents and other receivable	(26,525)	69,821
Tenant security deposits	(8,863)	14,479
Accrued real estate taxes	24,839	176,420
Accrued compensated absences	688	(5,770)
Accounts payable and accrued expenses	322,227	38,178
Prepaid rent	5,612	(1,262)
Net Cash Provided By Operating Activities	1,720,024	746,131
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash restricted for security deposits	61	(30,912)
Collections of notes receivable	13,526	12,885
Acquisition of limited partnership interest - fixed assets, net	(1,842,400)	-
Purchase of buildings	(2,172,928)	(7,929,213)
Cash paid for property improvements	(854,659)	(953,931)
Property Sale Proceeds	2,258,151	687,128
Contribution from acquisition of limited partnership interest	402,000	-
Purchase of financing costs	-	(71,565)
Net Cash (Used) By Investing Activities	(2,196,249)	(8,285,608)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Developer fee	(127,515)	-
Deferred interest payable	23,170	23,170
Release from NSP loan	(70,670)	(68,761)
Release from 1602 Grant funds	(262,840)	(262,840)
Proceeds from new mortgages	1,652,547	14,851,950
Proceeds from issuance of notes/loans payable and line of credit	590,000	1,443,054
Principal payments on mortgages	(1,855,305)	(7,078,104)
Principal payments on notes/loans payable and line of credit	(966,831)	(1,841,214)
Acquisition of limited partnership interest - mortgages	1,183,755	-
Net Cash Provided By Financing Activities	166,311	7,067,255
Decrease in Cash and Cash Equivalents	(309,914)	(472,222)
Cash and Cash Equivalents at Beginning of Year	4,342,114	4,814,336
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,032,200	$ 4,342,114
SUPPLEMENTAL DATA:		
Interest paid	$ 1,365,746	$ 1,277,710

The accompanying Notes are an integral part of these consolidated Financial Statements.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

CHICAGO METROPOLITAN HOUSING DEVELOPMENT CORPORATION **("CMHDC")** is a 501(c)(3) not for profit corporation created in 1982 as an instrumentality of the Chicago Housing Authority (CHA). CMHDC was created initially to issue tax-exempt bonds under the United States Housing and Urban Development (HUD) Section 11(b) Program. CMHDC Articles of Incorporation as well as Bylaws established the instrumentality relationship between CMHDC and CHA. However, they also established controls to ensure that CMHDC operates independently of the CHA. Since 1999, CMHDC has taken on an expanded role to include active development and financing of quality affordable housing, with particular emphasis on the revitalization and redevelopment of communities throughout the Chicago area. CMHDC's mission is to expand housing opportunities, create mixed-income communities and offer a variety of housing options for lower-income individuals and families throughout the Chicago area.

The financial statements of CMHDC include the activity of CMHDC Properties, LLC, Diversey Manor, LLC, CMHDC California, LLC, CMHDC Laflin, LLC, CMHDC Lake Park, LLC, CMHDC Kenwood Oakland, LLC, 3552 W. Leland, LLC, 7722 Marshfield, LLC, CMHDC Kolin, LLC, and CMHDC-ALB, LLC. These entities are 100% owned by CMHDC and exists solely to hold title and the related mortgages to properties used in CMHDC's operations.

Affiliates

CMHDC Development Services

In 2009, CMHDC incorporated CMHDC Development Services under the Illinois "General Not-For-Profit Corporation Act". The purpose of Development Services was to expand housing opportunities, create mixed-income communities and offer a variety of housing options for lower-income individuals and families in the Chicago Metropolitan area. Since then, the affiliate has purchased eight developments - CDS Cicero NFP LLC (consists of four buildings, 54 units), CDS Southland Homes LLC (consists of 85 single homes and townhomes) and CDS Austin LLC (consists of one building, 14 units) a donated property, CDS Peoria (consists of one single house), CDS Dobson, LLC (15 units), CDS Harvard, LLC (21 units), CDS Niles, LLC (12 units) and CDS Ridge, LLC (17 units).

The majority of CMHDC's board members are members of Development Services' board. As a result, CMHDC's board controls a majority voting interest in Development Services' board. The operations of the affiliate are included in these consolidated financial statements.

See Notes 8 and 9 for additional transactions between CMHDC and the affiliate (Development Services).

Progressive Square Limited Partnership Phase I

On December 31, 2015, CMHDC acquired an interest in Progressive Square Limited Partnership Phase I ("Partnership"). The Partnership consists of two parties: CMHDC, Limited Partner, with a 99.99% interest, and CMHDC Progressive NFP, an affiliate of CMHDC Development Services, General Partner, with a .01% interest. The Partnership owns and operates a 24-unit rental apartment project located at 4752 S. Wabash in Chicago, Illinois.

See Note 15 for Partnership acquisition details.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting

The consolidated financial statements of CMHDC have been prepared on the accrual basis of accounting, whereas revenue is recognized when earned and expenses are recognized when incurred. To ensure observance of certain constraints and restrictions placed on the use of resources, separate cash accounts are maintained in accordance with the underlying programs.

Consolidation Policy

The accompanying consolidated financial statements include the accounts of the parent company (Chicago Metropolitan Housing Development Corporation), and all its wholly owned subsidiaries. Inter-company transactions have been eliminated in consolidation.

Basis of Presentation

In accordance with generally accepted accounting principles, CMHDC reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income Tax Status

CMHDC is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. CMHDC had no unrelated business income during 2015 and 2014, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements. CMHDC is no longer subject to examination by the Internal Revenue Service for years prior to 2012.

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments (i.e., money market mutual funds or other highly liquid investments with original maturities of three months or less) that are readily convertible to known amounts of cash and have insignificant risk of changes in value because of changes in the interest rate.

Investments

The organization's investments are bought and held principally for the purpose of generating income. Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value. Fair value is based on quoted market prices. For the years ended December 31, 2015 and 2014 there were no investments for CMHDC.

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.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost if purchased or, fair value if contributed, plus significant expenditures required to make residences ready for occupancy. Operating equipment purchases of $1,000 or more are depreciated over the estimated useful life of five years using the straight-line method. Buildings are depreciated over an estimated useful life of 27.5 years using the modified accelerated cost recovery system, which approximates methods allowable under accounting principles generally accepted in the United States of America.

Finance Cost and Amortization

Financing costs are amortized over the term of the mortgage loan using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

Description of Programs

During 2015, CMHDC concentrated its efforts on the development and retention of affordable mixed-income housing. CMHDC operates several rental properties located in different areas of the City of Chicago and Metropolitan area (see rental portfolio description). All of the units have been made available to qualified tenants in accordance with regulations controlling the different sources of funds that CMHDC receives.

Rental Portfolio
Rental units are the largest component of CMHDC's real estate holdings. As of December 31, 2015 CMHDC and its affiliate(s) owned and operated the following properties as rental units for the benefits of low and very low income families:

	COSTS
Condominium units	
CHA Condominium units 950 N. Kingsbury (16 units)	$ 3,807,951
Multi-unit buildings	
6315 South California (17 units)	1,090,949
8001-03 South Dobson (16 units)	1,184,855
5337 North Damen (12 units)	1,236,194
10979 South Church (12 units)	971,246
1714 West Jonquil (15 units)	1,101,744
1530 West Wilson (18 units)	1,933,777
2923 North Long (6 units)	481,629
4700 North Beacon (12 units)	2,165,181
7955 South Paulina (15 units)	739,694
4434 West 87th (8 units)	560,717
9422 South Laflin (6 units)	631,962
5152 South Martin Luther King Drive (44 units)	2,663,498
9051-55 South Ada (6 units)	451,764

CHICAGO METROPOLITAN HOUSING DEVELOPMENT CORPORATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Description of Programs - Continued

	COSTS
4957 North Albany (21 units)	2,109,598
1914 North Drake (19 units)	1,656,097
4412-26 North St. Louis (33 units)	3,301,340
2242 North Monticello (13 units)	1,311,344
1401-11 West 80th (13 units)	622,531
9155 South Laflin (8 units)	693,781
9101 South Beverly (37 units)	2,291,094
1700-08 West Juneway (32 units)	2,357,613
2104 West Birchwood (38 units)	4,281,784
2920-22 North Albany (13 units)	1,379,463
4151 South Berkley (6 units)	561,856
4219 South Ellis (6 units)	654,823
Progressive Square-4752 S. Wabash (24 Units)	3,695,941
3903 N. Claremont (1 unit)	132,973
1626 W. Greenleaf (1 unit)	103,109
6417 N. Kedzie (1 unit)	86,906
6711 N. Lakewood (1 unit)	92,309
4341 South Greenwood (6 units)	629,315
4356-58 South Lake Park (6 units)	923,114
3213 West Diversey (51 units)	3,953,226
7549 S. Kenwood (19 units)	987,021
3252-56 W. Leland (6 units)	1,636,001
1501 N. Kolin (15 units)	774,109
4510 N. Central Park (1 unit)	437,146
3736 W. Diversey (1 unit)	247,101
5309 W. Bernice (1 unit)	261,325
6720 N. Campbell (1 unit)	336,997
2836 N. Spaulding (1 unit)	364,756
2537 N. Lowell (1 unit)	292,174
Consolidated CMHDC Development Services	17,589,890
Cicero Gardens (54 units)	
Southland Homes (85 units)	
1336-38 South Austin (14 units)	
Niles (12 units)	
Ridge (17 units)	
Dobson (15 units)	
Harvard (21 units)	
19430 Peoria (1 unit)	
	72,785,898
Consolidated Financial Statement Eliminating Entry	(46,466)
Total Rental Portfolio	72,739,433
Accumulated depreciation	(19,971,670)
PROPERTIES, NET OF DEPRECIATION	$52,708,551

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Description of Programs - Continued

Residences are capitalized at acquired cost, plus significant expenditures required to make the residences ready for occupancy. Residences are depreciated when they are available for occupancy.

Public Housing Programs

CMHDC owns and operates 16 units at Domain Loft Condominiums, 900 N. Kingsbury, acquired in December 2003 on behalf of the CHA. These units are reserved and occupied by public housing residents that have been relocated from the Cabrini Green redevelopment area. CMHDC entered into an operating agreement with the CHA, whereby CMHDC will own and operate the units for a minimum of 10 years and a maximum of 20 years. The units will be sold to CHA in accordance with the operating agreement between CHA and CMHDC (See Note 5).

CMHDC provided two loans in the amount of $384,000 each to a developer to secure units at Mohawk North and Old Town Village for replacement public housing at an annual interest rate of 4.5%. The units are leased by the developer to CHA under a 40-year master lease.

Donated Properties Sold

In 2014, CMHDC sold the following donated properties and recognized a gain on the sale of $124,404.

Property	Sale Date	Sale Price
6107 N. Seeley, Unit 3	3/7/14	$51,500
6529 N. Mozart, Unit 2B	4/18/14	62,751
6112 N. Damen, Unit 3	5/12/14	70,100
5301 N. Delphia, Unit 307	6/9/14	109,000
501 W. Touhy, Unit 307	6/9/14	70,000
2753 W. Arthur, Unit 3	9/4/14	70,000
1331 W. Chase, Unit 3B	7/7/14	79,000
2501 W. Touhy, Unit 205	8/7/14	95,000
6321 N. Sacramento, Unit 1E	3/28/14	115,000
6831 N. Seeley, Unit 2K	9/7/14	60,000
		$782,351

Restricted Investments – Security Deposits

As required by municipalities and the State of Illinois tenant security deposits are required to be set aside and held in separate interest bearing accounts and are not available for operating purposes. These deposits are currently held in bank accounts managed by Kass Management Services, Inc., Ludwig & Company and Urban Equities Real Estate Consultants, Inc., the Property Managers. The deposits, including any interest accumulated, are released to the tenants according to the lease terms. The restricted deposit balances as of December 31, 2015 and 2014 are $ 231,018 and $231,079, respectively.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

Receivables are reported at the outstanding balance less an allowance for doubtful accounts, if necessary. Accounts receivable are written off when all collection efforts have been used and the tenant has been evicted. Generally, the receivables are considered past due 5 days after the due date and delinquent if not received within 30 days of the due date. However, the specific terms, including interest charges on late payments, are dependent upon the lease contracts.

Rental Income

Rental income is recognized for apartment rentals as it accrues. Advance receipts of rental income are deferred and classified as a liability until earned.

Comparative Financial Information

The consolidated financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CMHDC's consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived.

NOTE 2 – NOTES RECEIVABLE

Notes receivable for Mohawk North and Old Town Village due from the developer as of December 31, 2015 and 2014, were $ 611,805 and $625,331, respectively. The interest rate on these receivables is 4.50%.

The notes receivable balance consists of the following:

	2015	2014
Mohawk North	$ 292,415	$ 299,802
Old Town Village	319,390	325,529
Total Notes Receivable	611,805	625,331
Less: Current portion	(14,001)	(13,386)
TOTAL LONG-TERM NOTES RECEIVABLE	$ 597,804	$ 611,945

NOTE 3– FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, receivables, deposits and prepaid expenses and accounts payable approximate fair value due to the short maturity of these instruments. The carrying value of notes payable approximates fair value based on rates applicable to the debt and remaining maturity.

NOTE 4 – ESCROW DEPOSITS AND RESTRICTED RESERVES

CMHDC Controlled Properties:
Escrow accounts for CMHDC controlled properties have been setup at various banks/mortgage companies to fund real estate tax and insurance reserves. As of December 31, 2015 and 2014, the escrow balance was $407,269 and $328,981, respectively.

Development Services Controlled Properties:
According to the 1602 Grant agreement and other regulatory agreements, Development Services on behalf of Cicero Gardens, through IHDA, is required to maintain separate accounts for certain escrow deposits and reserves.

Operating Reserves:
Cicero Gardens established an operating reserve in the initial amount of $65,000 in 2011. Funds can be used to fund operating deficits with the approval of IHDA.

The following schedule shows the activity in the reserve account during fiscal years:

	2015	2014
Balance, January 1	$ 65,504	$ 65,504
Deposits	-	-
Interest earnings	1	-
Withdrawals	(22,182)	-
BALANCE, DECEMBER 31	$ 43,323	$ 65,504

Replacement Reserves:
Cicero Gardens was required to fund a replacement reserve in the initial amount of $16,200. Monthly deposits in the amount of $522.58 are required. Funds can be used to pay costs for replacement of structural elements and mechanical equipment of the buildings with the approval of IHDA.

The following schedule shows the activity in such account during fiscal years:

	2015	2014
Balance, January 1	$ 46,446	$ 40,175
Deposits	5,219	6,271
Interest earnings	1	-
Withdrawals	-	-
BALANCE, DECEMBER 31	$ 51,666	$ 46,446

Real Estate Tax and Insurance Reserves:
Cicero Gardens funded a real estate tax and insurance reserve in the initial amount of $53,000 in 2011. Monthly deposits, in a sufficient amount so that there would be half of 105% of the prior year's real estate tax and insurance bills, are required. Funds can be used to pay real estate taxes and insurance costs of the buildings with the approval of IHDA.

NOTE 4 – ESCROW DEPOSITS AND RESTRICTED RESERVES - Continued

The following schedule shows the activity in such accounts during fiscal years:

	2015		2014	
	Tax	**Insurance**	**Tax**	**Insurance**
Balance, January 1	$ 23,511	$ 26,501	$ 19,799	$ 9,463
Deposits	78,713	19,080	53,583	24,316
Interest earnings	-	-	-	-
Withdrawals	(72,224)	(18,229)	(49,871)	(7,278)
BALANCE, DECEMBER 31	$ 30,000	$ 27,352	$ 23,511	$ 26,501

Initial Rent-Up Reserves:
Cicero Gardens was required to fund an initial rent-up reserve in the initial amount of $50,000. Funds shall be disbursed for operations of the building by the sole and absolute discretion of IHDA.

The following schedule shows the activity in such account during fiscal years:

	2015	**2014**
Balance, January 1	$ 36,342	$ 36,342
Deposits	-	-
Interest earnings	1	-
Withdrawals	-	-
BALANCE, DECEMBER 31	$ 36,343	$ 36,342

As part of the 1602 Grant agreement, a developer fee escrow was setup and is being held by IHDA. As of December 31, 2015 and 2014, the escrow balance was $0 and $127,575, respectively. See Note 12 for additional details.

Other Properties:
Escrow accounts for other Development Services properties have been set up at various banks/mortgage companies to fund real estate tax and insurance reserves.

The following schedule shows the activity in such account during fiscal years:

	2015	**2014**
Balance, January 1	$ 151,887	$ 102,808
Deposits	471,727	361,708
Interest earnings	-	-
Withdrawals	(438,802)	(312,629)
BALANCE, DECEMBER 31	$ 184,812	$ 151,887

NOTE 4 – ESCROW DEPOSITS AND RESTRICTED RESERVES - Continued

Other Escrow Deposits:
As part of fulfilling its mission to expand housing opportunities and offer a variety of housing options for lower income individuals and families within the Chicago Metropolitan area, Development Services continuously evaluates opportunities to acquire new rental properties. As of December 31, 2015 Development Services deposited $50,000 into an escrow account for purposes of acquiring a new rental property.

NOTE 5 – LONG-TERM DEBT

The loans payable balance consists of the following:

	2015	2014
Loan payable to Illinois Housing Development Authority, including interest at 1% through 2031, for the financing of property located at 4700 N. Beacon, Chicago, Illinois.	$ 668,015	$ 707,441
Loan payable to Illinois Housing Development Authority, including interest at 1% through 2023, assumed during the purchase of property located at 3213 W. Diversey, Chicago Illinois.	772,399	807,414
Line of credit payable to Bank Financial in monthly installments of interest only at 4.50%. The principal is due in November 2016. The line was used to facilitate acquisition and improvements of properties for CMHDC and CMHDC Development Services.	1,166,610	1,420,370
Loans payable to the Illinois Housing Development Authority in monthly installments, accruing interest at 1.50%, through 2024, assumed during the purchase of the Cicero Gardens buildings located in Cicero, Illinois.	1,945,480	1,945,480
Total Loan Outstanding	4,552,504	4,880,705
Less: Current portion	(1,245,240)	(74,453)
TOTAL LONG-TERM LOANS PAYABLE	$ 3,307,264	$ 4,806,252

NOTE 5 – LONG-TERM DEBT - Continued

The mortgage payable balance consists of the following:

	2015	2014
Loan payable to Bank Financial FSB in monthly installments of principal and interest of 4.5% May 1, 2039. In April 2014 the loan was refinanced to reduce the interest rate from 5.90% to 4.50% for property located at 5337-43 North Damen, Chicago, Illinois.	$ 562,041	$ 575,183
Loan payable to Bank Financial FSB in monthly installments, of principal and interest at 4.5% through May 1, 2039. The loan was refinanced to reduce the interest rate from 5.90% to 4.5% for property located at 4434-42 W. 87th Street, Chicago, Illinois.	246,513	252,212
Loan payable to Bank Financial in monthly installments, including principal and interest at 4.5% through May 1, 2039. The loan was refinanced to reduce the interest rate from 5.9% to 4.5% for property located at 9422-24 S. Laflin Street, Chicago, Illinois.	191,753	196,234
Loan payable to Bank Financial FSB in monthly installments, of principal and interest at 4.5% through May 1, 2039. The loan was refinanced to reduce the interest rate from 5.90% to 4.5% for property located at 7955-59 S. Paulina/1648-50-52 W. 80th Street, Chicago, Illinois.	340,119	348,072
Loan payable to Bank Financial FSB in monthly installments, of principal and interest at 4.5% through May 1, 2039. The loan was refinanced to reduce the interest rate from 5.90% to 4.5% for property located at 5152-78 (Park Ave.) South Martin Luther King Drive, Chicago, Illinois.	1,157,853	1,184,927
Loan payable to Bank Financial FSB in monthly installments, of principal and interest at 4.5% through May 1, 2039. The loan was refinanced to reduce the interest rate from 5.90% to 4.5% for property located at 1530-32 W. Wilson and 4607-13 N. Ashland, Chicago, Illinois.	878,038	898,571

NOTE 5 – LONG-TERM DEBT - Continued

	2015	2014
Loan payable to Bank Financial FSB in monthly installments, of principal and interest at 4.5% through May 1, 2039. The loan was refinanced to reduce the interest rate from 5.90% to 4.5% for property located at 10979 S. Church, Chicago, Illinois	390,775	399,913
Loan payable to Bank Financial in monthly installments, of principal and interest at 4.5% through May 1, 2039. The loan was refinanced to reduce the interest rate from 6.375% to 4.5% for property located at 1714 W. Jonquil, Chicago, Illinois.	418,233	428,015
Loan payable to Bank Financial FSB in monthly installments, including principal and interest at 4.5%, through 2039. The loan was obtained to purchase property located at 4412-26 N. St. Louis, Chicago, Illinois.	1,736,781	1,777,390
Loan payable to Bank Financial in monthly installments, including principal and interest at 4.5% through May 1, 2039 for property located at 7549-55 S. Kenwood, Chicago, Illinois.	463,141	473,972
Loan payable to Community Investment Corporation (first mortgage) in monthly installments, including principal and interest at 5.75% through 2013 and 3.36% through 2028 for property located at 3213 W. Diversey, Chicago, Illinois.	1,629,633	1,676,731
Loan payable to Community Investment Corporation (second mortgage) in monthly installments, including principal and interest. The note bears a 3-year interest rate at 5.5% per annum, subject to adjustment at 3-year intervals. Monthly installments of principal and interest are based on a 15-year amortization. The first anniversary date is January 1, 2017 for property located at 3213 W. Diversey, Chicago, Illinois.	385,351	393,521
Loan payable to Bank Financial FSB in monthly installments, of principal and interest at 4.5% through May 1, 2039. The loan was refinanced to reduce the interest rate from 5.90% to 4.5% for property located at 1401-11 W. 80th Street, Chicago, Illinois.	265,342	271,546

NOTE 5 – LONG-TERM DEBT - Continued

	2015	2014
Loan payable to Community Investment Corporation, including principal and interest at 3.675% through 2023. The loan was adjusted to reduce the interest rate from 5.675% to 3.675%; other terms remained the same for property located at 4957 N. Albany, Chicago, Illinois.	772,966	803,496
Loan payable to Lakeside Bank, including principal and interest at 4.75% through 2018. The loan was obtained for property located at 9051-55 S. Ada, Chicago, Illinois.	162,453	165,158
Loan payable to Bank Financial FSB, including principal and interest at 4.5% through May 1, 2039. The loan was refinanced to reduce the interest rate from 5.90% to 4.5% for property located at 2242-44 N. Monticello, Chicago, Illinois.	627,171	641,836
Loan payable to Bank Financial FSB, including principal and interest at 4.5% through May 1, 2039. The loan was refinanced to reduce the interest rate from 5.9% to 4.5% for property located at 2920 N. Albany, Chicago, Illinois.	612,698	627,024
Loan payable to Lakeside Bank, including principal and interest at 4% through 2023. The loan was refinanced to reduce the interest rate from 6.25% to 4% and extend the loan terms from 2014 to 2023 for property located at 2104 W. Birchwood, Chicago, Illinois.	2,231,385	2,283,527
Loan payable to Lakeside Bank in monthly installments, including principal and interest at 4% through 2024. The loan was obtained for property located at 8001-03 South Dobson, Chicago, Illinois.	504,851	518,053
Loan payable to Lakeside Bank in monthly installments, including principal and interest at 4% through 2023. The loan was obtained for property located at 1914 N. Drake, Chicago, Illinois.	825,336	847,170
Loan payable to Community Investment Corporation in monthly installments, including principal and interest at 3.25% through 2028. The loan was adjusted to reduce the interest rate from 5.75% to 3.25% for property located at 9101 S. Beverly, Chicago, Illinois.	1,049,556	1,080,555

NOTE 5 – LONG-TERM DEBT - Continued

	2015	2014
Loan payable to RBS-Citizen (f/k/a Charter One) in monthly installments, including principal and interest (currently at 3.25%) at the ceiling rate of 6.75% through June, 2018. The loan was obtained to renovate property located at 4151 S. Berkeley, Chicago, Illinois.	476,304	489,979
Loan payable to RBS-Citizen (f/k/a Charter One) in monthly installments, including principal and interest (currently at 3.25%) at the ceiling rate of 6.75% through June, 2018. The loan was obtained to renovate property located at 4341 S. Greenwood, Chicago, Illinois.	516,552	530,633
Loan payable to RBS-Citizen in monthly installments, including principal and interest (currently at 3.25%) at the ceiling rate of 6.75% through June, 2018. The loan was obtained to renovate property located at 4219 S. Ellis, Chicago, Illinois.	528,132	540,479
Loan payable to ThePrivate Bank & Trust Company in monthly installments of principal and interest at 4.2% through 2021. The loan is secured by the 6315 S. California, 9155 S. Laflin and 4356 S. Lake Park, Chicago, Illinois properties.	1,209,547	1,230,000
Loan payable to Community Investment Corporation in monthly installments, including principal and interest at 5.50% through 2030. The loan was adjusted to reduce the interest rate from 5.625% to 5.50%. The loan was obtained to purchase property located at 7722-28 N. Marshfield, Chicago, Illinois. The property was sold in 2015 and the loan was paid off.	-	1,237,216
Loan payable to Community Investment Corporation in monthly installments, including principal and interest at 5.50% through 2032. The construction loan was converted to a conventional loan. The loan was obtained to purchase property located at 3252-56 W. Leland, Chicago, Illinois.	189,851	193,879
Loan payable to Lakeside Bank in monthly installments, including principal and interest at 4.625% through April 7, 2024. The loan was used to purchase property located at 1501 N. Kolin, Chicago, Illinois.	507,505	515,907
Loan payable to ThePrivate Bank and Trust in monthly installments, including principal and interest at 4.2% through 2022. The loan was obtained to purchase the property located at 4510 N. Central Park Chicago, IL.	319,539	-

NOTE 5 – LONG-TERM DEBT - Continued

	2015	2014
Loan payable to the Community Investment Corporation in monthly installments, accruing interest at 3.88%, through 2019 assumed during the purchase of the Progressive Square Limited Partnership Phase I Apartments located in Chicago, Illinois.	421,575	-
Loan payable to the City of Chicago in connection with Progressive Square Limited Partnership Phase I Apartments. The loan is non-interest bearing and no principal payments are due until maturity on July 31, 2019.	762,180	-
Line of credit payable to Enterprise Community Loan Fund, Inc. in monthly installments of interest at 4.50%. The entire principal balance with all accrued and unpaid interest shall be due and payable in full on the May 31, 2018. The line was used to facilitate acquisition and improvements of properties located throughout the Albany Park neighborhood and surrounding neighborhoods of Chicago.	958,392	-
Loan payable to Lakeside Bank in monthly installments, including principal and interest at 4.625%, through 2024. The loan was obtained to purchase property located at 744 Dobson St., Evanston, Illinois.	882,236	896,712
Loan payable to First Midwest Bank in monthly installments, including principal and interest at 4.6%, through 2024. The loan was obtained to purchase property located at 1216-26 Harvard Ter., Evanston, Illinois	1,578,926	1,604,771
Loan payable to First Midwest Bank in monthly installments, including principal and interest at 4.6%, through 2024. The loan was obtained to purchase property located at 8050 Niles Ave., Skokie, Illinois	1,031,334	1,048,221
Loan payable to Bank Financial in monthly installments, including principal and interest at 3.75%, through 2039. The loan was obtained to purchase property located at 127-129 Ridge, Evanston, Illinois.	1,294,380	1,328,229
Loan payable to Bank Financial in monthly installments, including principal and interest at 4.75%, through 2017. The loan was obtained to purchase the group of 85 single family homes under CDS Southland Homes, LLC located in the southern suburbs of the City of Chicago.	1,914,667	1,965,876

NOTE 5 – LONG-TERM DEBT - Continued

	2015	2014
Loan payable to ThePrivate Bank and Trust in monthly installments, including principal and interest at 4.2% through November 30, 2021. The loan is secured by the 14 unit apartment building located at 1336-38 S. Austin, Cicero, IL.	362,894	-
Total Mortgage Outstanding	28,406,003	27,425,008
Less: Current portion	(711,837)	(659,443)
TOTAL LONG-TERM MORTGAGES PAYABLE	$27,694,166	$26,765,565

The notes payable balance consists of the following:

	2015	2014
Note payable to CHA at 0% interest rate. The loan was obtained to purchase property located at 950 N. Kingsbury (see further explanation at the end of this note).	$ 1,498,606	$ 1,498,606
Note payable to RBS-Citizen (f/k/a Charter One) in monthly installments, including principal and interest (currently at 3.50%) at the ceiling rate of 6.75% through January 2018. The loan was obtained to purchase and rehab the property located at 1700-08 Juneway, Chicago, Illinois.	1,662,136	1,710,766
Total Notes Outstanding	3,160,742	3,209,372
Less: Current portion	(51,078)	(50,073)
TOTAL LONG-TERM NOTES PAYABLE	$ 3,109,664	$3,159,299

Leland Building

During 2011, CMHDC purchased a property located at 3252-56 W. Leland, Chicago, Illinois, using two loans: 1) a construction loan in the amount of $198,000 from Community Investment Corporation; 2) and a convertible loan from the City of Chicago (through Mercy Housing) as a part of their Neighborhood Stabilization Program (NSP) at an interest rate of 0%. The City of Chicago loan has been converted to a forgivable grant after 15 years. The outstanding balance of the forgivable loan as of December 31, 2015 and 2014 is $ 1,167,014 and $1,237,684, respectively.

Domain Loft Building

On December 31, 2003, CMHDC purchased 16 condominium units at the Domain Loft Building located at 950 N. Kingsbury. The purchase was made to assist the CHA in its redevelopment efforts. The acquisition and development costs of the units (excluding costs directly paid by CHA) were $3,816,731.

NOTE 5 – LONG-TERM DEBT - Continued

The financing for this transaction was provided as follows:

0% non-amortizing note issued by CHA (due on 12/31/2023)	$1,498,606
Tax Increment Financing provided by the City of Chicago to the developer	1,571,085
Donation tax credit provided by City of Chicago	747,040
Contributed by CMHDC	100,000
Project coordination fee received by CMHDC	(100,000)
TOTAL COST	$3,816,731

As part of the operating agreement between CMHDC and CHA, the 16 condominium units are exclusively used for public housing purposes. At the end of the term of the agreement, or at a time agreeable to both parties, the units will be transferred to CHA for continuous use by public housing individuals, and the note will be assumed by the CHA with no payments due from CMHDC. In the year of transfer, CMHDC will receive compensation of 15% of the total development cost for public housing, as established by the U. S. Department of Housing and Urban Development.

The property is recorded at $3,806,607 as an asset with revenue of $100,000 received by CMHDC as a coordination fee and a note payable to CHA for $1,498,606.

Diversey Manor Apartment Building

On January 12, 2007, CMHDC purchased the Diversey Manor Apartment Building located at 3213-23 W. Diversey at an acquisition and development cost of $3,259,403.

The financing for the purchase was provided as follows:

Mortgage payable to Community Investment Corporation	$1,600,000
Loans payable to the Illinois Housing Development Authority	1,166,123
Seller financing – Deferred payment	150,000
Building improvements funded by proceeds from the sale of tax credit – City of Chicago	281,636
Settlement costs	28,905
Development costs	32,739
TOTAL COST	$3,259,403

The Illinois Housing Development Authority loans stipulate that additional amounts be paid towards the principal based on excess of net cash, as defined by the loan agreements. The outstanding balance of the loans as of December 31, 2015 and 2014 is $772,399 and $807,414, respectively.

NOTE 5 – LONG-TERM DEBT - Continued

On August 28, 2008, CMHDC refinanced its mortgage with Community Investment Corporation, increasing it to $1,875,000. The proceeds from the increase were used to pay off one loan from the Illinois Housing Development Authority for $89,061 and repairs and maintenance for $163,617. The balance was used for settlement costs relating to the refinancing. CMHDC also reduced its interest rate from 7.00% to 5.75% and extended its mortgage from 2027 to 2028. The outstanding balance of the loan as of December 31, 2015 and 2014 is $ 1,629,633 and $1,676,731, respectively.

On February 13, 2014, CMHDC obtained a second mortgage with Community Investment Corporation totaling $400,000. The proceeds were used to reimburse CMHDC for expenses incurred for the Diversey Manor Apartments and to open an escrow account to rehab all other apartment units. The outstanding balance of the loan as of December 31, 2015 and 2014 is $385,351 and $393,521, respectively.

Cicero Gardens Buildings

On December 29, 2010, Development Services through CDS Cicero NFP, LLC purchased the Cicero Gardens Buildings located at 1638 S. 51st Ave., 1801 S. 50th Ave., 5700 W. 35th St., and 5741 W. 35th St. (collectively referred to as Cicero Gardens) at an acquisition and development cost of $6,157,596.

The 1602 Grant funds were made available as part of the purchase of the building and will be forgiven in full on the forgiveness date of December 31, 2027, unless there is the occurrence of a default as stipulated in the written agreement. Development Services is amortizing the Section 1602 Grant as a forgivable loan. The grant is earned 1/15th per year; therefore, the outstanding liability is reduced and amortized as deferred revenue over the 15 year compliance period and commenced January 1, 2012. As of December 31, 2015 and 2014, CMHDC has earned and released $1,051,360 and $788,520, respectively with a remaining balance of $2,891,260 and $3,154,100, respectively.

The financing for the purchase was provided as follows:

Loans payable to the Illinois Housing Development Authority (IHDA)	$1,945,480
IHDA reserves	80,199
Seller financing	31,431
Building improvements and first loan payoff funded by proceeds from the 1602 Grant funds	3,942,620
Settlement costs	157,866
TOTAL COST	$6,157,596

Principal payments on long-term debts are not expected until maturity. Interest payments on the two IHDA loans are expected on a monthly basis. The monthly payment requirement for the IHDA loans is applied to accrued interest. The original terms of the loans require that the $250 payment requirement represents collecting .27% (first loan) and .36% (second loan) of the interest rate and deferring 1.23% (first loan) and 1.14% (second loan). Also, additional interest payments can be obtained within three months of the following fiscal year based on evaluation of 65% of net cash, as deemed in the regulatory agreement. The Illinois Housing Development Authority loans stipulate that additional amounts be paid towards the principal based on excess of net cash, as defined by the loan agreements.

NOTE 5 – LONG-TERM DEBT - Continued

On December 28, 2011, Development Services through CDS Southland Homes, LLC purchased a group of 85 townhomes in the southern suburbs of Chicago at an acquisition cost of $2,510,546. It has a mortgage payable to Bank Financial in connection with the acquisition of $2,125,000. Monthly installments including principal and interest at 4.75% are due through 2017. The short term portion of the mortgage payable at December 31, 2015 and 2014 is $53,244 and $53,244, respectively.

Principal payments on long-term debt (including the 0% non-amortizing mortgage of $1,498,606) to maturity are as follows:

	Principal
2016	$2,339,756
2017	3,966,307
2018	4,225,976
2019	1,459,406
2020	1,114,169
All other years	27,065,909
TOTAL	$40,171,523

NOTE 6 – CONCENTRATIONS OF FINANCIAL INSTRUMENT RISK

CMHDC had $3,562,790 and $4,772,114 on deposit at several banks as of December 31, 2015 and 2014, respectively. Balances uninsured by the FDIC at December 31, 2015 and 2014 were $648,523 and $1,110,351, respectively.

NOTE 7 – LEASE RENTAL PAYMENTS

On August 16, 2010, CMHDC extended its existing lease for the office space through September 30, 2015. On August 16, 2015, CMHDC entered into a new lease agreement for the office space at 225 W. Wacker Drive, Chicago, IL for a six year period ending August 31, 2022.

Minimum future rental payments as of December 31, 2015 are as follows:

2016	$76,553
2017	78,857
2018	81,210
2019	83,637
2020	86,140
Thereafter	149,025

For financial reporting purposes, the lease abatements were applied evenly through the lease. As of December 31, 2015 accrual of the deferred rent amounted to $25,820.

NOTE 7 – LEASE RENTAL PAYMENTS - Continued

In addition to base rent the tenant's share under the current lease shall also include the tenant's proportionate share of taxes and common area expenses as defined in the lease. Rent expense for December 31, 2015 and 2014 was $47,712 and $52,348, respectively.

NOTE 8 – RELATED PARTY TRANSACTIONS

Chicago Housing Authority
CHA is considered to be a related party to CMHDC due to the fact that a CMHDC board member is also an employee of CHA. All the transactions with CHA are considered to be related party transactions. (See Note 5, page 22 for details)

Banking Relationships
One of CMHDC's directors is the president of Community Investment Corporation from whom CMHDC has six loans. (See Note 5 for details)

One of CMHDC's directors is the vice president of Chase Bank from whom CMHDC has three deposit bank accounts.

One of CMHDC's directors is the vice president of Enterprise Community Partners from whom CMHDC has a line of credit. (See Note 5 for details)

CMHDC Development Services
CMHDC provides administrative services and pays certain expenses of CMHDC Development Services under an operating agreement. Per the terms of the operating agreement CMHDC Development Services agrees to reimburse CMHDC for these services. These services amounted to $90,598 and $83,668 in 2015 and 2014, respectively.

In 2015 and 2014 CMHDC Development Services paid CMHDC a developer fee of $127,575 and $0, respectively for the development of the Cicero Gardens properties. (See Note 12 for details)

During 2015 and 2014, CMHDC entered into an operating agreement with CMHDC Development Services to provide consulting services for a Cook County Neighborhood Stabilization Program (NSP) grant awarded to CMHDC Development Services. These consulting services generated $110,749 and $110,999 in revenue to CMHDC for 2015 and 2014, respectively. The accounts receivable to CMHDC at December 31, 2015 and 2014 is $ 364,018 and $345,276, respectively.

Progressive Square Limited Partnership Phase I
During 2015 and 2014, CMHDC paid for certain expenses of Progressive Square Limited Partnership Phase I, for which CMHDC is a Limited Partner. The balance outstanding at December 31, 2014 was $21,363. The 2015 balance was eliminated in consolidation at December 31, 2015.

NOTE 9 – DUE FROM AFFILIATES

At December 31, 2015 and 2014, CMHDC paid for certain capital improvements and expenses, as well as loaned funds to establish bank accounts and to buy properties to CMHDC Development Services, CDS Southland Homes, LLC, CDS Cicero NFP, LLC, CDS Austin, LLC, CDS Niles, CDS Ridge, CDS Dobson, CDS Harvard and Chicago Metropolitan Construction LLC. The balance outstanding at December 31, 2015 and 2014 is $5,286,003 and $5,425,431 respectively. These transactions have been eliminated for financial statement consolidation purposes.

NOTE 10 – LINES OF CREDIT

CMHDC has a line of credit agreement with Bank Financial for maximum borrowings of $3,260,000, which is secured by various properties with Bank Financial. The interest rate is 4.50%. The balance outstanding at December 31, 2015 and 2014 is $ 1,166,610 and $1,420,370, respectively. (See Note 5, page 16).

CMHDC has a line of credit agreement with Enterprise Community Loan Fund, Inc. for maximum borrowing of $2,500,000, which is secured by various properties. The interest rate is 4.50%. The balance outstanding at December 31, 2015 and 2014 is $958,392 and $0, respectively. (See Note 5, page 21)

NOTE 11 – PROPERTY MANAGEMENT FEES AGREEMENTS

<u>Kass Management Services, Inc.</u>
CMHDC uses Kass Management Services, Inc. for substantially all of the CMHDC properties under an agreement with management fee at 6% of gross collections.

<u>Urban Equities Real Estate Consultants, Inc.</u>
Development Services contracts out with Urban Equities Real Estate Consultants, Inc., for the management of 127 N. Ridge, Evanston. 744 Dobson, Evanston, 1216 W. Harvard, Evanston, 8050 Niles Ave., Skokie, 1501 N. Kolin, 3736 W. Diversey, 4510 N. Central Park, 6720 N. Campbell, 2836 N. Spaulding, 5309 W. Berenice, and 2537 N. Lowell. The management fee is between 5% to 6% of the greatest of defined gross collections or a minimum monthly amount as defined in the agreement.

<u>Ludwig and Company</u>
On November 1, 2014, Ludwig and Company assumed the management of the Southland Homes, LLC, portfolio and the Peoria Property. The management fee for these properties is the greater of 6% of defined gross collections or a minimum monthly amount as defined in the agreement.

The total paid for property management services in 2015 and 2014 was $ 478,659 and $426,764, respectively.

NOTE 12 – DEFERRED DEVELOPER'S FEES

In connection with the acquisition of the Kenwood property, the board of CMHDC approved developer fees of $72,000 payable to CMHDC. The developer fee from Kenwood will be recognized as additional building cost and income in future years only to the extent there is a receipt of the developer fee from future cash flow generated by the property. For 2015 and 2014, no developer fee relating to the building was recognized.

As part of the 1602 Grant agreement for Cicero Gardens, $450,000 in developer fees was allocated to be paid. During the initial closing, $91,125 was paid. An additional $91,118 was paid at the end of the construction period $54,675 was paid in 2013 and $127,575 was paid in 2015. The final $85,507 will be deferred and paid out of the operations of the buildings after certain terms have been attained. As of December 31, 2015 and 2014, outstanding developer fees payable were $85,507 and $213,082, respectively.

In May 2015, Development Services received $127,575 from Cicero Gardens Escrow for the development fee.

NOTE 13 – BANK OF AMERICA DONATIONS

In 2013, CMHDC entered into donation and contribution agreements with Bank of America under a donation of properties program. Under this program, CMHDC received foreclosed properties and a cash contribution per property from Bank of America. After acceptance of a property, CMHDC improves the properties. CMHDC accepted 10 such properties and Development Services accepted 1 property in 2013. For financial reporting purposes, the properties were recorded at their fair market value at the date of donation. In addition to the ten properties, CMHDC and its affiliate received $90,000 in cash donations from Bank of America under this program. In 2014, CMHDC sold all ten properties.

NOTE 14 – ACCOUNTING FOR UNCERTAIN TAX POSITIONS

CMHDC has adopted the accounting standard regarding "Accounting for Uncertain Tax Positions". This accounting standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in CMHDC's consolidated financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on CMHDC's financial position, results of its operations, or cash flows. The tax years of 2012, 2013 and 2014 remain subject to examination by the taxing authorities.

NOTE 15 - ACQUISITION OF INTEREST IN LIMITED PARTNERSHIP

Effective December 31, 2015, National Equity Fund 1999 Limited Partnership ("NEF") transferred its interest in Progressive Square Limited Partnership Phase I ("Partnership") to CMHDC. Under the terms of the Assignment, Assumption and Amendment Agreement, NEF relinquished all claims against the Partnership, withdrew from the partnership and directed that all allocations and distributions of profits, losses, income or capital on account of the assigned interest be made to CHMDC. The Partnership owns a 24-unit rental apartment project located at 4752 S. Wabash in Chicago, Illinois.

NOTE 15 - ACQUISITION OF INTEREST IN LIMITED PARTNERSHIP - Continued

As of the date of the transfer the Partnership consists of two parties: CMHDC, Limited Partner, with a 99.99% interest, and CMHDC Progressive NFP, an affiliate of CMHDC Development Services, General Partner, with a .01% interest. The financial statements consolidate CMHDC and the Partnership.

CMHDC exchanged consideration with a fair value of $1 to consummate the transfer of the interest in the Partnership. The fair value of each class of assets acquired and liabilities assumed are as follows:

Assets	
Cash	$40,318
Investment in rental property, net	1,842,399
Tenants' security deposits	5,026
Escrows	10,411
Tenant A/R	1,834
Prepaid expenses	9,042
Liabilities	
Accounts payable	(3,758)
Accrued expenses	(21,472)
Tenant security deposits	(4,260)
Other payables	(217,972)
Developer fees payable	(75,814)
Mortgage loans payable	(1,183,755)
Excess of assets over liabilities	401,999
Elimination of Due to/ Due from intercompany balances	(3,138)
Net interest in limited partnership	398,861

The excess of assets over liabilities has been recorded as contribution revenue.

NOTE 16 – SUBSEQUENT EVENTS

CMHDC had several significant subsequent events and they include:

New Property Purchase

As of the date of this report CMHDC purchased the following properties:

Property location in Chicago, Illinois	Settlement Date	Price
2415 N. Kildare Ave.	February 2016	$220,000
2904 N. Linder	March 2016	260,000
2929 N. Moody Ave.	April 2016	175,000
3333 W. Pensacole Ave.	April 2016	300,000
2101 N. Leclaire Ave.	May 2016	154,000

Operating resources and funding from the line of credit with Enterprise Community Loan Fund, Inc. were obtained to finance the purchases of these properties.

NOTE 16 – SUBSEQUENT EVENTS - Continued

Property Sales

Subsequent to December 31, 2015, CMHDC, per terms of the operating agreement between CMHDC and CHA, referred to in Note 1, page 12, sold to CHA the 16-unit Domain Loft Condominiums. The Domain Loft Condominiums were sold on February 29, 2016, for the total price of $515,155. Per the terms of the operating agreement CMHDC transferred to CHA the outstanding loan payable and restricted cash balances held as tenant rent and replacement reserves.

As of the date of this report CMHDC sold the following properties:

Property location in Chicago, Illinois	Settlement Date	Price
6417 N. Kedzie	February 2016	$123,000
6711 N. Lakewood, Unit 2N	April 2016	150,000
1626 W. Greenleaf, Unit 3E	May 2016	153,000

Property Refinance

In March 2016, four of the Albany Park Initiative properties were refinanced with ThePrivate Bank and Trust Company for $938,550. Proceeds were used to pay down the CMHDC line of credit with Enterprise Community Loan Fund, Inc.

Other

In January 25, 2016, Development Services transferred back to operations the $50,000 net of $300 fee originally allotted for the purchase of a property.

Management has evaluated subsequent events through June 23, 2016, which is the date the consolidated financial statements were available to be issued. Other than the subsequent events disclosed above, there were no material subsequent events that require adjustment or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

CHICAGO METROPOLITAN HOUSING DEVELOPMENT CORPORATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015

	CMHDC	Progressive Square	Development Services	Eliminating Entries	Consolidated Total
ASSETS					
Current Assets					
Cash and cash equivalents	$ 2,796,020	$ 40,318	$ 1,195,862	$ -	$ 4,032,200
Tenant accounts receivable (Less: Allowance for doubtful accounts of $55,555 and $55,555 for 2015 and 2014, respectively)	28,365	1,834	32,795	-	62,994
Account receivable- Consulting	364,018	-	34,227	(364,018)	34,227
Due from affiliates	5,286,003	-	-	(5,286,003)	-
Escrow	396,858	10,411	423,496	-	830,765
Prepaid expenses	190,796	9,042	114,131	-	313,969
Note receivable - short-term portion	14,001	-	-	-	14,001
Investment in Development Services	(652,049)	-	-	652,049	-
Total Current Assets	8,424,012	61,605	1,800,511	(4,997,972)	5,288,156
Land, Buildings and Equipment					
Building Improvements in progress	15,500	-	20,100	-	35,600
Land, Building and Improvements	51,500,068	3,695,941	17,589,890	(46,466)	72,739,433
Office equipment and furniture	228,697	-	-	-	228,697
Automobiles	28,786	-	-	-	28,786
	51,773,051	3,695,941	17,609,990	(46,466)	73,032,516
Accumulated depreciation	(16,467,347)	(1,853,542)	(1,843,364)	-	(20,164,253)
Total Fixed Assets	35,305,704	1,842,399	15,766,626	(46,466)	52,868,263
Other Assets					
Finance cost	106,696	-	-	-	106,696
Restricted investments - security deposits	120,024	5,025	105,969	-	231,018
Notes receivable - long-term portion	597,804	-	-	-	597,804
Total Other Assets	824,524	5,025	105,969	-	935,518
TOTAL ASSETS	$ 44,554,240	$ 1,909,029	$ 17,673,106	$ (5,044,438)	$ 59,091,937

CHICAGO METROPOLITAN HOUSING DEVELOPMENT CORPORATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015

LIABILITIES AND NET ASSETS	CMHDC	Progressive Square	Development Services	Eliminating Entries	Consolidated Total
Current Liabilities					
Accounts payable	$ 162,205	$ 300,681	$ 46,140	$ -	$ 509,026
Due to CMHDC - Consulting	-	-	364,018	(364,018)	-
Prepaid rent	-	-	13,413	-	13,413
Accrued compensated absences	31,832	-	-	-	31,832
Accrued real estate taxes	491,539	20,111	500,745	-	1,012,395
Accrued expenses	125,812	1,361	25,970	-	153,143
Tenant security deposits	64,112	4,260	102,487	-	170,859
NSP loan - Leland- short-term portion	68,760	-	-		68,760
Loans payable - short-term portion	1,245,240	-	-	-	1,245,240
Mortgages payable - short-term portion	537,975	16,106	157,756	-	711,837
Notes payables - short-term portion	51,078	-	-	-	51,078
Due to CMHDC	-	-	5,286,003	(5,286,003)	-
1602 Grant funds - short-term portion	-	-	262,840	-	262,840
Total Current Liabilities	2,778,553	342,519	6,759,372	(5,650,021)	4,230,423
Long-Term Liabilities					
Developer fee	-	-	85,567	-	85,567
Deferred interest payable	-	-	378,129	-	378,129
Subsidy - City of Chicago-Domain	238,624	-	-	-	238,624
Tax credit - City of Chicago-Diversey	281,636	-	-	-	281,636
NSP loan - Leland - long-term portion	1,098,254	-	-	-	1,098,254
Loans payable - long-term portion	1,361,784	-	1,945,480	-	3,307,264
Mortgages payable - long-term portion	19,619,836	1,167,649	6,906,681	-	27,694,166
Notes payable - long-term portion	3,109,664	-	-	-	3,109,664
1602 Grant funds - long-term portion	-	-	2,628,420	-	2,628,420
Total Long-Term Liabilities	25,709,798	1,167,649	11,944,277	-	38,821,724
Total Liabilities	28,488,351	1,510,168	18,703,649	(5,650,021)	43,052,147
Net Assets					
Unrestricted	16,065,889	-	(1,030,543)	605,583	15,640,929
Partners' equity	-	398,861	-	-	398,861
Total Net Assets	16,065,889	398,861	(1,030,543)	605,583	16,039,790
TOTAL LIABILITIES AND NET ASSETS	$ 44,554,240	$ 1,909,029	$ 17,673,106	$ (5,044,438)	$ 59,091,937

CHICAGO METROPOLITAN HOUSING DEVELOPMENT CORPORATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

CONSOLIDATING SCHEDULE OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

	CMHDC	Progressive Square	Development Services	Eliminating Entries	Consolidated Total
Revenue and other support					
Rental income	$ 6,138,660	$ -	$ 2,204,576	$ -	$ 8,343,236
Consulting revenue	110,749	-	110,749	(110,749)	110,749
Developer fee	172,599	-	-	-	172,599
Grant funds-NSP	70,670	-	-	-	70,670
Grant funds-1602	-	-	262,840	-	262,840
Income from affiliates	183,649	-	-	(149,806)	33,843
Gain on sale of property	877,071	-	-	-	877,071
Contribution from acquisition of interest in limited partnership	3,138	398,861	-	-	401,999
Other operating income	328,253	-	2,339	-	330,592
Interest income	29,995	-	2	-	29,997
Equity in profit of subsidiary	(359,692)	-	-	359,692	-
Total Revenues	7,555,092	398,861	2,580,506	99,137	10,633,596
Expenses					
Salaries	639,956	-	81,672	(81,672)	639,956
Payroll taxes	29,944	-	4,463	(4,463)	29,944
Advertisement	127,785	-	15,360	-	143,145
Amortization	25,981	-	-	-	25,981
Asset management	-	-	11,700	(11,700)	-
Assessment fee	123,759	-	69,029	-	192,788
Automobile expense	14,565	-	1,860	-	16,425
Consulting expense	-	-	110,749	(110,749)	-
Janitorial services	274,295	-	171,554	-	445,849
Development	39,314	-	-	-	39,314
Employee benefits	126,509	-	4,463	(4,463)	126,509
Insurance	249,947	-	123,528	-	373,475
Interest	1,007,070	-	358,676	-	1,365,746
Management fees	346,470	-	132,189	-	478,659
Miscellaneous expenses	14,019	-	10,088	-	24,107
Office expense	128,583	-	58,116	-	186,699
Professional fees	417,149	-	104,176	-	521,325
Property taxes	484,315	-	484,498	-	968,813
Rent	47,712	-	47,508	(47,508)	47,712
Repairs and maintenance	900,014	-	326,845	-	1,226,859
Telephone	11,146	-	1,903	-	13,049
Utilities	865,140	-	193,459	-	1,058,599
Bad debt expense	-	-	18,750	-	18,750
Depreciation	1,620,085	-	609,612	-	2,229,697
Total Expenses	7,493,758	-	2,940,198	(260,555)	10,173,401
Change in Net Assets	61,334	398,861	(359,692)	359,692	460,195
Net Assets - Beginning of Year	16,004,555	-	(670,851)	245,891	15,579,595
NET ASSETS - END OF YEAR	$ 16,065,889	$ 398,861	$ (1,030,543)	$ 605,583	$ 16,039,790