Oak Park

Special Council Meeting

July 6, 2015

CITY OF OAK PARK

OFFICE OF THE CITY CLERK

Mayor
Marian McClellan
Mayor Pro Tem
Paul Levine
Council Members
Michael Seligson
Carolyn Burns
Kiesha Speech
City Manager
Erik Tungate

NOTICE

SPECIAL COUNCIL MEETING OF THE
35th OAK PARK CITY COUNCIL
July 6, 2015
6:00 PM

Notice is hereby given that a Special City Council Meeting of the Oak Park City Council is scheduled for July 6, 2015 at 6:00 PM and will be held in the Executive Conference Room of Oak Park City Hall, 14000 Oak Park Blvd., Oak Park, Michigan 48237.

The purpose of the Special Meeting is to discuss the following programs:

A. Payment in Lieu of Taxes (PILOT) for Jefferson School
B. Obsolete Property Rehabilitation Act (OPRA) for Providence Green Apartments

Notice of the above meeting of the City of Oak Park is given in compliance with the Charter, Section 7.2, and with provisions of Public Act No. 267 of 1976, as amended.

The City of Oak Park will comply with the spirit and intent of the American with Disabilities Act. The City will provide support and make reasonable accommodations to assist people with disabilities to access and participate in our programs, facilities and services. Accommodations to participate at a Special Council Meeting will be made with prior notice.

Marian McClellan

Marian McClellan, Mayor

Jefferson Oaks
CHN Jefferson LDHA LP
60 Multifamily Units

Sample Tax Summary in Oak Park
$250,000 Taxable Value (SEV)

		All Taxes	City Portion
		250	
Operating	16.3563	4,089.08	4,089.08
Debt	6.2017	1,550.43	1,550.43
Waste	2.9531	738.28	738.28
Library	1.4914	372.85	372.85
Recreation	0.5000	125.00	125.00
Public Safety	2.0000	500.00	500.00
PS 345	6.4729	1,618.23	1,618.23
Headlee Override	1.1437	285.93	285.93
School District	40.9160	10,229.00	-
School District	1.7736	443.40	-
Admin Fee	-	199.52	199.52
Total Estimate	79.8087	20,151.70	9,479.30
		City Portion -	47.0%

PILOT Calculation

		Calculation	Non-City	City Portion
Gross Rents		562,356		
Less Vacancy	7%	(39,365)		
Less Landlord Paid Utilities		(60,312)		
Less Water & Sewer		(48,000)		
Net Collected Rents		414,679		
PILOT Percentage		10%		
PILOT Payment		41,467.91	21,961.53	19,506.38

Jefferson Oaks
CHN Jefferson LDHA LP
60 Multifamily Units

PILOT Projections

	Year	Projected Rent Increase %	Total PILOT Amount	Non-City Portion	City Portion	Total Payments To Oak Park
PILOT Approved						
	2015			Development Time		
	2016			Construction and Lease up Time		
PILOT Starts						
Year 1	12/31/2017	n/a	41,468	21,962	19,506	19,506
Year 2	12/31/2018	1.00%	41,883	22,181	19,701	39,208
Year 3	12/31/2019	1.00%	42,301	22,403	19,898	59,106
Year 4	12/31/2020	1.00%	42,724	22,627	20,097	79,204
Year 5	12/31/2021	1.00%	43,152	22,853	20,298	99,502
Year 6	12/31/2022	1.00%	43,583	23,082	20,501	120,004
Year 7	12/31/2023	2.00%	44,455	23,543	20,911	140,915
Year 8	12/31/2024	2.00%	45,344	24,014	21,330	162,245
Year 9	12/31/2025	2.00%	46,251	24,495	21,756	184,001
Year 10	12/31/2026	2.00%	47,176	24,984	22,191	206,192
Year 11	12/31/2027	2.00%	48,119	25,484	22,635	228,827
Year 12	12/31/2028	2.00%	49,082	25,994	23,088	251,915
Year 13	12/31/2029	2.00%	50,063	26,514	23,550	275,465
Year 14	12/31/2030	2.00%	51,065	27,044	24,021	299,486
Year 15	12/31/2031	2.00%	52,086	27,585	24,501	323,987
Year 16	12/31/2032	2.00%	53,128	28,137	24,991	348,978
Year 17	12/31/2033	2.00%	54,190	28,699	25,491	374,469
Year 18	12/31/2034	2.00%	55,274	29,273	26,001	400,469

TO: Municipal Officials, All Sponsors and Their Attorneys

FROM: Legal Affairs Division, Michigan State Housing Development Authority

RE: Model Tax Abatement Ordinance - Development Specific, Federally-Aided Mortgage with LIHTC

The model tax abatement ordinance which follows is intended as a guide format to be used by those municipalities adopting tax abatement for a specific housing that receives an allocation of Low Income Housing Tax Credits by the Michigan State Housing Development and is financed by a federally-aided mortgage, as defined in the State Housing Development Authority Act of 1966 (1966 PA 346). Further information on tax abatement under Section 15a of the Act (see MCL 125.1415a) may be obtained by calling the Legal Affairs Division at (517) 373-8295 during business hours.

<u>*[insert name of municipality]*</u>

ORDINANCE NO. ____

TAX EXEMPTION ORDINANCE

ADOPTED: <u>*[insert date of adoption]*</u>

An Ordinance to provide for a service charge in lieu of taxes for a housing project for low income persons and families to be financed with a federally-aided Mortgage Loan pursuant to the provisions of the State Housing Development Authority Act of 1966 (1966 PA 346, as amended; MCL 125.1401, *et seq*) (the "Act"). *[this section is required]*

THE CITY/TOWNSHIP OF *[insert name of municipality and delete inapplicable reference]* ORDAINS:

SECTION 1. This Ordinance shall be known and cited as the "*[insert name of municipality]* Tax Exemption Ordinance-*[insert name of housing project*]."

SECTION 2. <u>**Preamble**</u>.

It is acknowledged that it is a proper public purpose of the State of Michigan and its political subdivisions to provide housing for its low income persons and families and to encourage the development of such housing by providing for a service charge in lieu of property taxes in accordance with the Act. The City/Township *[delete inapplicable reference]* is authorized by this Act to establish or change the service charge to be paid in lieu of taxes by any or all classes of housing exempt from taxation under this Act at any amount it chooses, not to exceed the taxes that would be paid but for this Act. It is further acknowledged that such housing for low income persons and families is a public necessity, and as the City/Township *[delete inapplicable reference]* will be benefited and improved by such housing, the encouragement of the same by providing real estate tax exemption for such housing is a valid public purpose. It is further acknowledged that the continuance of the provisions of this Ordinance for tax exemption and the service charge in lieu of all *ad valorem* taxes during the period contemplated in this Ordinance are essential to the determination of economic feasibility of the housing projects that is constructed or rehabilitated with financing extended in reliance on such tax exemption. *[this section is required]*

The City/Township *[delete inapplicable reference]* acknowledges that the Sponsor (as defined below) has offered, subject to receipt of an allocation under the LIHTC Program by the Michigan State Housing Development Authority, to construct/acquire and rehabilitate *[delete inapplicable reference]*, own and operate a housing project identified as *[insert name of housing project]* on certain property located at *[insert brief description of real property]* in the City/ Township *[delete inapplicable reference]* to serve low income persons and families, and that the Sponsor has offered to pay the City/Township on account of this housing project an annual service charge for public services in lieu of all *ad valorem* property taxes. *[this section is required]*

SECTION 3. **Definitions**. *[this section may be modified]*

A. Authority means the Michigan State Housing Development Authority.

B. Annual Shelter Rent means the total collections during an agreed annual period from or paid on behalf of all occupants of a housing project representing rent or occupancy charges, exclusive of Utilities. *[Delete this definition if the project receives project-based Section 8 rental subsidy]*

C. Contract Rents means the total Contract Rents (as defined by the U.S. Department of Housing and Urban Development in regulations promulgated pursuant to Section 8 of the U.S. Housing Act of 1937, as amended) received in connection with the operation of a housing project during an agreed annual period, exclusive of Utilities. *[Delete this definition if the project does NOT receive project-based Section 8 rental subsidy]*

D. LIHTC Program means the Low Income Housing Tax Credit program administered by the Authority under Section 42 of the Internal Revenue Code of 1986, as amended.

E. Low Income Persons and Families means persons and families eligible to move into a housing project.

F. Mortgage Loan means a loan that is Federally-Aided (as defined in Section 11 of the Act) or a loan or grant made or to be made by the Authority to the Sponsor for the construction, rehabilitation, acquisition and/or permanent financing of a housing project, and secured by a mortgage on the housing project.

G. Sponsor means *[insert name of developer or proposed owner, if known]* and any entity that receives or assumes a Mortgage Loan.

H. Utilities means charges for gas, electric, water, sanitary sewer and other utilities furnished to the occupants that are paid by the housing project.

SECTION 4. Class of Housing Projects.

It is determined that the class of housing projects to which the tax exemption shall apply and for which a service charge shall be paid in lieu of such taxes shall be housing projects for Low Income Persons and Families that are financed with a Mortgage Loan. It is further determined that *[insert name of housing project]* is of this class. *[this section may be modified to define the class of housing projects that are exempt]*

SECTION 5. Establishment of Annual Service Charge.

The housing project identified as *[insert name of project]* and the property on which it is/or will be located *[delete inapplicable reference]* shall be exempt from all *ad valorem* property taxes from and after the commencement of construction or rehabilitation. The City/Township *[delete inapplicable reference]* acknowledges that the Sponsor and the Authority have established the economic feasibility of the housing project in reliance upon the enactment and continuing effect of this Ordinance, and the qualification of the housing project for exemption from all *ad valorem* property taxes and a payment in lieu of taxes as established in this Ordinance. Therefore, in consideration of the Sponsor's offer to construct/rehabilitate *[delete inapplicable reference]* and operate the housing project, the City/Township agrees to accept payment of an annual service charge for public services in lieu of all *ad valorem* property taxes. Subject to receipt of a Mortgage Loan, the annual service charge shall be equal to ______% of the Annual Shelter Rents/Contract Rents *[delete inapplicable reference]* actually collected by the housing project during each operating year. *[this section may be modified to change the amount of the annual service charge]*

SECTION 6. Contractual Effect of Ordinance.

Notwithstanding the provisions of section 15(a)(5) of the Act to the contrary, a contract between the City/Township *[delete inapplicable reference]* and the Sponsor with the Authority as third party beneficiary under the contract, to provide tax exemption and accept payments in lieu of taxes, as previously described, is effectuated by enactment of this Ordinance. *[this section is required]*

SECTION 7. Limitation on the Payment of Annual Service Charge.

Notwithstanding Section 5, the service charge to be paid each year in lieu of taxes for the part of the housing project that is tax exempt but which is occupied by other than low income persons or families shall be equal to the full amount of the taxes which would be paid on that portion of the housing project if the housing project were not tax exempt. *[this section is required]*

SECTION 8. Payment of Service Charge.

The annual service charge in lieu of taxes as determined under this Ordinance shall be payable in the same manner as general property taxes are payable to the City/Township and distributed to the several units levying the general property tax in the same proportion as prevailed with the general property tax in the previous calendar year. The annual payment for each operating year shall be paid on or before *[insert date service charge is payable]* of the following year. Collection procedures shall be in accordance with the provisions of the General Property Tax Act (1893 PA 206, as amended; MCL 211.1, *et seq*). *[this section may be modified to specify the date on which payments are due and how payments are to be made or collected]*

SECTION 9. Duration.

This Ordinance shall remain in effect and shall not terminate so long as a Mortgage Loan remains outstanding and unpaid and the housing project remains subject to income and rent restrictions under the LIHTC Program. *[this section may be modified to change the duration]*

SECTION 10. Severability.

The various sections and provisions of this Ordinance shall be deemed to be severable, and should any section or provision of this Ordinance be declared by any court of competent jurisdiction to be unconstitutional or invalid the same shall not affect the validity of this Ordinance as a whole or any section or provision of this Ordinance, other than the section or provision so declared to be unconstitutional or invalid. *[this section is required]*

SECTION 11. Inconsistent Ordinances.

All ordinances or parts of ordinances inconsistent or in conflict with the provisions of this Ordinance are repealed to the extent of such inconsistency or conflict. *[this section is required]*

Section 12. Effective Date.

This Ordinance shall become effective on *[insert effective date]* , as provided in the City/Township *[delete inapplicable reference]* Charter.

TOWNSHIP/CITY CLERK
[delete inapplicable reference]

Community
HOUSING NETWORK
Opening Doors • Transforming Lives

Jefferson Oaks Executive Summary

I. Project Description and Purpose

Community Housing Network, Inc. (CHN) proposes a nearly $15.8 million investment in Oak Park with the conversion of the Jefferson School property into the Jefferson Oaks – a mixed-income development consisting of 60 one- to –four bedroom units. All of the units will remain affordable, meaning rent is based on income, for a minimum of 15 years. This provision, guaranteeing safe and secure housing for all participating residents, is made possible through a combination of Housing Tax Credits and private equity investment.

21 of the units will be set aside for supportive housing with project based rental assistance. These units will target individuals with special needs and individuals who are homeless, as defined in the Michigan State Housing Development Authority (MSHDA) Low Income Housing Tax Credit (LIHTC) program guidelines. CHN will coordinate supportive services to help the tenants of the special needs units achieve greater levels of self-sufficiency. Eight of the units will be barrier free.

Substantial redevelopment of the former Jefferson School property is a prime opportunity to add mixed-income housing for working class families to the area. This substantial rehabilitation of the property and new construction of townhomes will renew this site's purpose in the community, creating a vibrant neighborhood and providing needed housing and community space for years to come.

II. Project Location

The proposed Jefferson Oaks will be located on the site of the Jefferson School in Oak Park at 22001 Republic. The site is conveniently located near 9 Mile Road, close to Oak Park's community amenities such as medical facilities, educational facilities, retail stores, banks, places of worship, civic facilities, and parks. The site is also adjacent to Ferndale and its amenities. There are also two bus stops on 9 Mile Road within a block of the site for SMART route 710, providing convenient access to transportation for residents.

III. Tenants Served

Jefferson Oaks will serve low- to moderate-income households and individuals (between 30-60% of the Area Median Income), and will include units designated for supportive housing. From previous experience developing tax credit properties, CHN anticipates a large percentage of the tenants will be working class families, and that the new residents will include a total of 80 school-aged children. A tenant council, which is similar to a block club, will be formed to encourage resident involvement and engagement in both the Jefferson Oaks development and the greater community.

IV. Project Cost

The Jefferson Oaks development project carries a total development cost of $15,783,900. The following is the breakdown of the projected expenditures:

Acquisition	$500,000
Construction	$11,726,000

Professional, Developer Fees, Soft Costs	$2,312,600
Financing & Syndication Costs	$560,300
Start-Up Costs, Reserves & Escrows	$685,000
TOTAL	$15,783,900

V. Economic Impact
Utilizing the rule of proportionality and the estimated local economic impact from the 2010 National Association of Home Builders report, the following local economic impact is expected from the proposed Jefferson Oaks development under normal economic conditions:

Estimated one year local impact:
- $4.74 million in local income
- $496,200 in taxes and other revenue for local governments
- 73 local jobs – where one reported job represents enough work to keep one worker employed full-time for one year

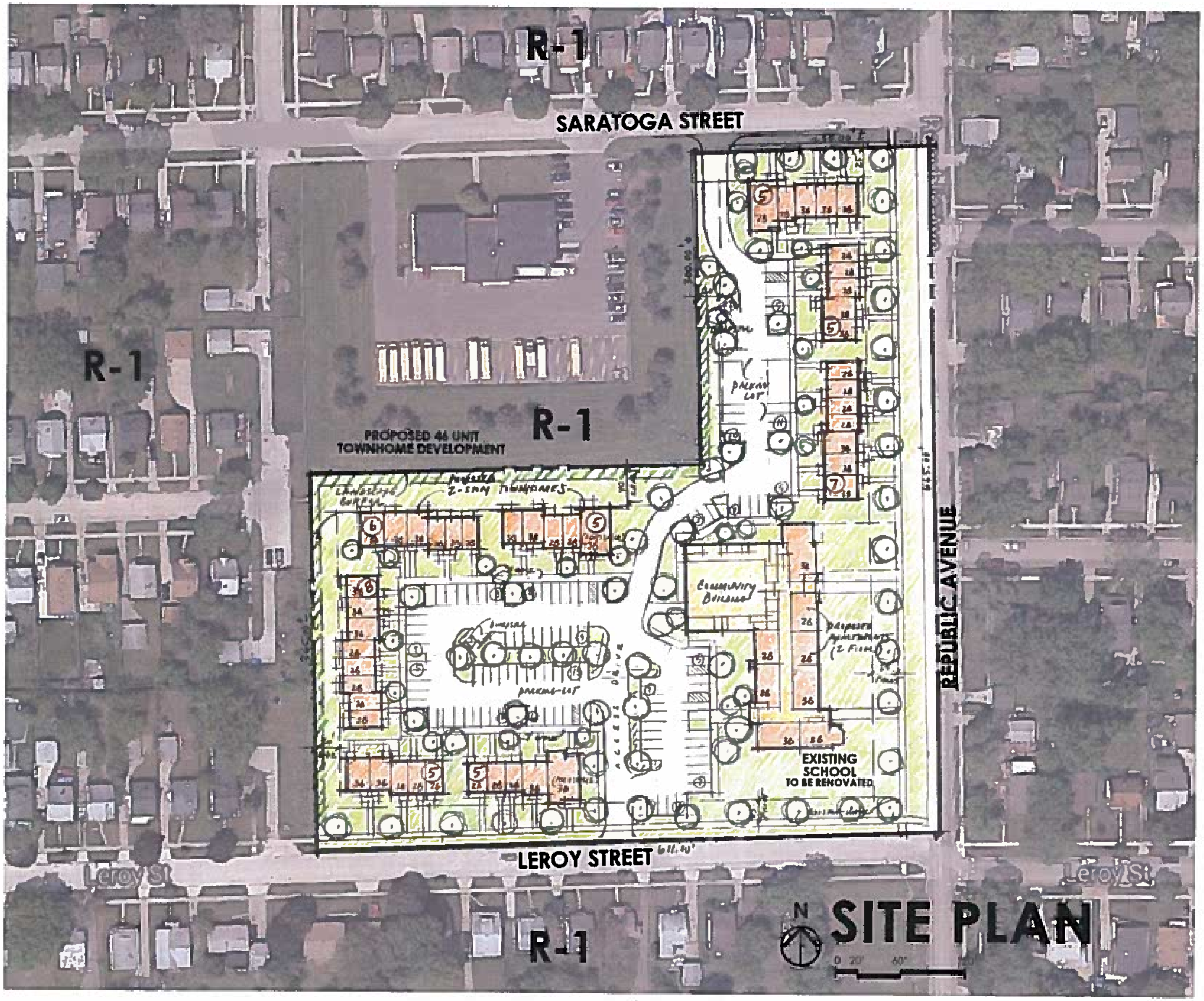
Estimated annually recurring impacts:
- $1.44 million in local income
- $264,600 in taxes and other revenue for local governments
- 18 local jobs – where one reported job represents enough work to keep on worker employed full-time for a year on an annually recurring basis

The results indicate the creation of a total of 73 one year (temporary) local jobs, and 18 annually recurring (permanent) local jobs.

V. Developer Description
Community Housing Network, Inc. (CHN) is a 501(c)(3) organization serving residents of Southeast Michigan. CHN's mission is to be passionate advocates devoted to providing homes for people in need and access to resources to create sustainable communities. The organization strives to create opportunities that provide greater affordable housing choice for people living on low- and moderate-incomes, and people with disabilities in particular. This is achieved through the development of affordable housing programs, informational resources, community collaboration, and advocacy.

Since its inception, CHN has developed 786 units of affordable housing for people in need. CHN has been able to accomplish this by accessing a variety of public and private funding from sources such as MSHDA, Federal Home Loan Bank of Indianapolis and Cincinnati, Oakland and Macomb County HOME funds, Low Income Housing Tax (LIHTC) Credits, and HUD Section 811. CHN just broke ground on its largest development to date, a $11 million LIHTC project to construct 48 townhome-style units of affordable housing in Eastpointe.

VII. Development Team
The development team will include O'Brien Construction and Fusco, Shaffer, & Pappas, Inc. CHN has been working with both companies since 2007 and each is highly experienced in large multi-family developments. O'Brien Construction was founded in 1962 and has an excellent reputation for high quality work, meeting budgets and completing projects as scheduled. Fusco, Shaffer & Pappas, Inc. was founded in 1963 and provides a full line of professional architectural services, with specialized experience in historic preservation and multi-family housing.



SUMMARY TABLE

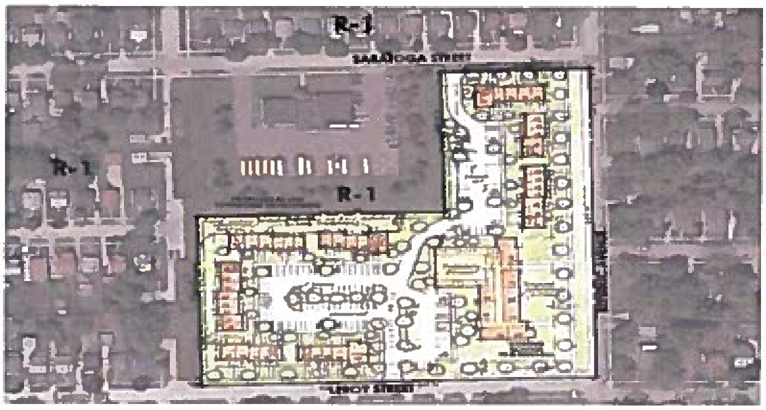
SITE AREA			6.71 ACRES 292, 315 SF
ZONING			
EXISTING			R-1
PROPOSED			RM-1
HEIGHT			
PROPOSED			2 STORIES < 30 FEET
DENSITY			
ALLOWABLE			3,000 SF/DU (14.5 DU/ACRE)
PROPOSED			4,714 SF/DU (9.2 DU/ACRE)
UNIT COUNT			
TOWNHOUSES			
2 BEDROOM	(1,125 SF)		24 UNITS
2 BEDROOM (ACCESSIBLE)	(1,125 SF)		1 UNITS
3 BEDROOM	(1,260 SF)		19 UNITS
3 BEDROOM (ACCESSIBLE)	(1,260 SF)		2 UNITS
			46 UNITS
APARTMENTS (EXISTING SCHOOL)			
2 BEDROOM	(1,125 SF)		10 UNITS
3 BEDROOM	(1,260 SF)		5 UNITS
3 BEDROOM (ACCESSIBLE)	(1,260 SF)		1 UNITS
			16 UNITS
		SITE TOTAL	62 UNITS
SETBACKS		REQUIRED	PROVIDED
FRONT		25 FEET	25 FEET
SIDES		20 FEET	20 FEET
REAR		40 FEET	40 FEET
PARKING			
REQUIRED (2 SPACES PER UNIT)			124 SPACES
PROPOSED			125 SPACES

SCHEME A

COMMUNITY HOUSING NETWORK
OAK PARK MULTI-FAMILY
OAK PARK, MICHIGAN

FSP FUSCO, SHAFFER & PAPPAS, INC.
ARCHITECTS & PLANNERS

MAY 13, 2015



Jefferson Oaks
- Leroy Street and Republic Avenue -

Dear Neighbor,

You may have heard about a new affordable housing development that Community Housing Network is planning for Oak Park. We would like to take a few minutes to let you know a little bit about the Jefferson Oaks Townhomes and answer questions that you may have. You may be wondering what type of people will be living in the new development and how that will impact your community.

Why affordable housing? Why here?

Finding decent affordable housing is a real problem faced by folks at all income levels. Imagine spending nearly half of your paycheck each month on housing expenses. Unfortunately, due to our current housing and job markets, many working Oak Park residents are spending way more on housing than what is considered to be affordable. In fact, 55.6% of households that rent in Oak Park spend 30% or more of their gross income on rent - and that doesn't even include utilities. Families spending this much on housing may have difficulty affording other necessities such as food, clothing, transportation and medical care.

But even if a home is affordable, that doesn't mean that it is a place you would want to live. Substandard and crumbling houses are something we are all too familiar with. In today's environment, finding quality housing that is safe and secure *and* fits within your family's budget can be a huge stressor and a seemingly never ending search.

Who will be the new neighbors at Jefferson Oaks?

Some people may think that residents in the Jefferson Oaks Townhomes will live off of welfare and not be productive, working members of the community. That is not the case. The Jefferson Oaks Townhomes will be made available only to those actively working to make the best possible life for themselves and their families. Residents at Jefferson Oaks must pay rent each month and pass criminal and credit background checks. The Jefferson Oaks Townhomes are available to households with incomes as high as $40,620*. This means that these affordable homes are intended for current and future Oak Park residents who will contribute to the success of the community, including teachers, healthcare support workers, police and security workers, construction and maintenance workers, firefighters, food service workers, and small business owners. The Jefferson Oaks Townhomes are intended to support hardworking people who may be overly burdened by their housing costs.

*For a family of four

What about Supportive Housing?

Because some of our citizens have fallen on harder times than others, 21 of the 60 units will be designated as Supportive Housing units, meaning that they will be reserved for people with special needs. These could include people with disabilities, survivors of domestic violence, or people who are homeless due to foreclosure, long-term medical condition, or reduced job opportunities. These units are critical for the growth of our communities because they combine safe, affordable housing with the extra support that some of our most vulnerable citizens need to get back on their feet.

What about crime and safety?

You may be concerned that the new development may attract criminal activity or introduce more crime into the neighborhood. In Jefferson Oaks, there is a zero tolerance policy regarding criminal activity in the tenant selection process as well as onsite. The new development will be well lit at night and have onsite management. From our experience working in housing development, we have found that quality, family-focused housing actively discourages crime. We believe that these townhomes will be a vast improvement over a vacant school and will reinvigorate the surrounding neighborhood.

Tell me a little bit more about the Jefferson Oaks Townhomes...

Jefferson Oaks represents a nearly $15.8 million investment in the City of Oak Park that will create an estimated 73 temporary local jobs during construction and 18 permanent local jobs. It will feature 60 one- to four-bedroom apartment and townhome-style units and will be available to residents that earn up to $40,620*. These units are designed for individuals and families who both work in the community and make the community work. Jefferson Oaks will have an onsite property management office, leasing office, and a community room. With these resources readily available to tenants, CHN can assure that maintenance and tenant issues are addressed promptly.

Who is Community Housing Network?

Community Housing Network's mission is to provide housing resources and opportunities for people at all stages along the housing spectrum. From providing resources and guidance to those experiencing homelessness to helping families purchase their first home, CHN aims to help everyone improve their housing and financial situation. CHN has been providing housing resources for individuals and families facing housing instability in Oakland County for over 14 years. CHN partners with numerous local organizations to coordinate services in the community, and we maintain long-term commitments to both our partners and the communities where we work. Jefferson Oaks Townhomes is a long-term commitment for CHN, and we are excited to continue our work in Oak Park. To learn more about the work that CHN does, please visit www.communityhousingnetwork.org.

Decent, safe, and affordable housing is one of our most basic needs. With that in place, people can focus on other aspects of their lives, whether it is raising children, pursuing education, or career advancement. These are the things that help communities to grow.

Sincerely,

Marc Craig
President
Community Housing Network

*For a family of four

About Community Housing Network, Inc.

Community Housing Network, Inc. (CHN) is a 501(c)(3) organization serving residents of Southeast Michigan. CHN's mission is to be passionate advocates devoted to providing homes for people in need and access to resources to create sustainable communities. The organization strives to create opportunities that provide greater affordable housing choice for people living on low- and moderate-incomes, and people with disabilities in particular. This is achieved through the development of affordable housing programs, informational resources, community collaboration, and advocacy.

CHN opened its doors in 2001 with funding from Oakland County Community Mental Health Authority. At that time, CHN was charged with providing property management for housing for people with disabilities, creation of a Housing Resource Center, and development of additional affordable housing opportunities for people with disabilities. Since then, CHN has grown rapidly into a $14 million agency with 78 passionate staff who provide services that work to create a more stable and vibrant region. The organization is led by a fourteen member Board of Directors comprised of both community members and CHN program participants. CHN has a strong cash position and the capacity to undertake a large development projects and meet the necessary guarantees.

Since its inception, CHN has developed 786 units of affordable housing for people in need. CHN has been able to accomplish this by accessing a variety of public and private funding from sources such as MSHDA, Federal Home Loan Bank of Indianapolis and Cincinnati, Oakland and Macomb County HOME funds, Low Income Housing Tax (LIHTC) Credits, and HUD Section 811. CHN just broke ground on its largest development to date, a $11 million LIHTC project to construct 48 townhome-style units of affordable housing in Eastpointe.

CHN's other accomplishments include:

- Being the largest provider of permanent supportive housing, an evidence-based practice, in Oakland and Macomb counties, providing 411 units of supportive housing to formerly homeless individuals and households. Overall, 83% of program participants in the CHN Leasing Assistance Program successfully meet their HUD goal of remaining stably housed for six months or longer.
- Developing 786 units of affordable housing for people in need
- Promoting community engagement for our residents through proven community revitalization activities such as construction of community gardens, community newsletter distribution, resident social gatherings, and neighborhood safety initiatives
- Being named a Detroit Free Press Top 100 Workplace in 2012, 2013, and 2014 and a Crain's Detroit Cool Place to Work in 2012 and 2014 (Crain's survey not offered in 2013)
- Being led by recipients of the prestigious Oakland County Leader of Leader Awards from Leadership Oakland; Marc Craig, president, received the award in

2014 and Kirsten Elliott received the award in 2015.

- Being designated the Housing Assessment Resource Agency for Oakland County by the Alliance for Housing, the local collaborative body of housing service agencies, meaning CHN coordinates housing stabilization services county-wide
- Being named 2013 Homeownership Counseling Program Agency of the Year by the Michigan State Housing Development Authority (MSHDA)
- Being named the 2013 Host Site of the Year by the Community Economic Development Association of Michigan (CEDAM) and the AmeriCorps Michigan Foreclosure Prevention Corps
- Serving 2,527 individuals in 1,200 families through the Homeless Prevention and Rapid Re-Housing Program between 2009 and 2012. Many of the tools and policies CHN created for HPRP were considered best practice and utilized beyond our local community, including statewide implementation of the screening/assessment tool CHN created.

All of these activities reflect CHN's organizational purpose of providing homes and access to resources for the most vulnerable members of our communities.

Community
HOUSING NETWORK

Opening Doors • Transforming Lives®

Recent Development Portfolio

June 2015

Grafton Townhomes

Location:	Eastpointe, Michigan
Development:	48 two- and three-bedroom townhome style rental units. 12 units reserved for supportive housing.
Development Cost:	$11 million
Funding Source:	Low Income Housing Tax Credits
Completion Date:	Anticipated Spring 2016

Unity Park Rentals

Location:	Unity Park in Pontiac, Michigan
Development:	32 two-four bedroom single family residential lease-to-purchase homes. 8 homes reserved for supportive housing.
Development Cost:	$9 million
Funding Source:	Low Income Housing Tax Credits
Completion Date:	January, 2015

HUD 811 Developments

Location:	Scattered Sites in Oakland & Wayne counties, Michigan
Development:	14 three-bedroom single family residential rental homes for people with disabilities.
Development Cost:	$5.9 million
Funding Source:	HUD Section 811
Completion Date:	2010 – 2014

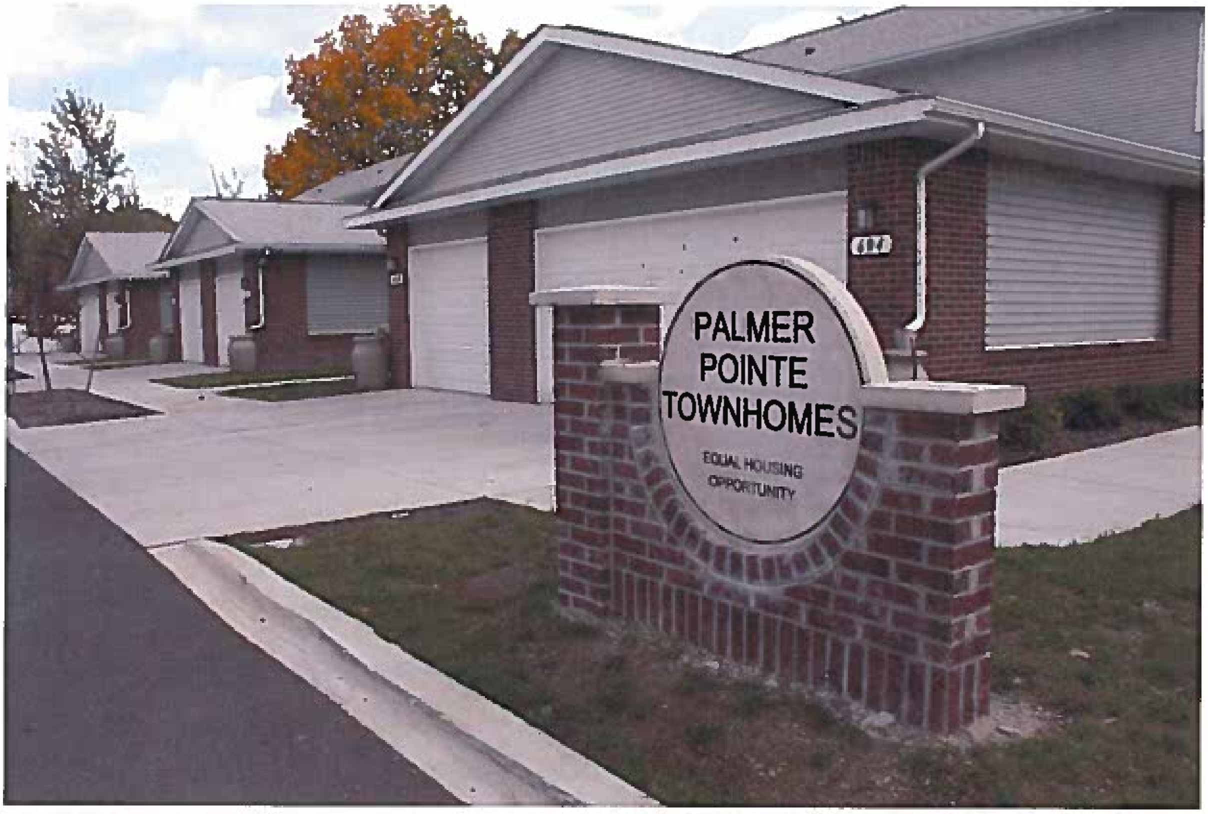
NSP II

Location:	Unity Park in Pontiac, Michigan
Development:	6 three-bedroom single family residential homes. Sold to qualifying homeowners at or below 120% of the Area Median Income
Development Cost:	$1.4 million
Funding Source:	Neighborhood Stabilization Program 2
Completion Date:	2013

HOME Developments

Location:	Oak Park and Holly, Michigan
Development:	4 single family residential homes. Acquired, renovated and sold to qualifying homeowners at or below 80% of the Area Median Income
Development Cost:	$650,000
Funding Source:	Oakland County HOME Funds
Completion Date:	2015

Palmer Pointe Townhomes



Location:	Pontiac, Michigan
Development:	24 two and three-bedroom rental townhomes. 9 homes reserved for supportive housing.
Development Cost:	$5.5 million
Funding Source:	Low Income Housing Tax Credits
Completion Date:	2012

COMMUNITY HOUSING NETWORK, INC. AND AFFILIATES

Troy, Michigan

COMBINED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2014 and 2013

COMMUNITY HOUSING NETWORK, INC. AND AFFILIATES

TABLE OF CONTENTS

BAKER TILLY

Baker Tilly Virchow Krause, LLP
One Towne Sq, Ste 600
Southfield, MI 48076-3710
tel 248 372 7300
fax 248 368 8950
bakertilly.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Housing Network, Inc. and Affiliates
Troy, Michigan

We have audited the accompanying combined financial statements of Community Housing Network, Inc. and Affiliates (the "Community Housing Network, Inc."), which comprise the combined statements of financial position as of September 30, 2014 and 2013, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement. The financial statements of the affiliates, Independent Choice Non-Profit Housing Corporation, Midwest Resource Partners, LLC, Oakland Housing Partners, Inc., Oakland Housing Partners II, Inc., Oakland Housing Partners III, Inc., Macomb Innovative Development Group, Inc., CHN Unity Park II Limited Dividend Housing Association Limited Partnership, and CHN Grafton Limited Dividend Housing Association Limited Partnership, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Community Housing Network, Inc. as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental information for Community Housing Network, Inc. only, shown on pages 27 to 31, including the Schedule of Expenditures of Federal Awards" as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 15, 2014 on our consideration of Community Housing Network, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Housing Network, Inc.'s internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
December 15, 2014

COMMUNITY HOUSING NETWORK, INC. AND AFFILIATES

COMBINED STATEMENTS OF FINANCIAL POSITION
As of September 30, 2014 and 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	$ 3,337,677	$ 2,731,171
Accounts receivable, net	510,286	344,668
Grants receivable	118,439	309,660
Cost settlement receivable	-	215
Prepaid expenses	178,920	180,510
Total Current Assets	4,145,322	3,566,224
PROPERTY AND EQUIPMENT, NET (Note 4)	5,596,467	4,978,807
OTHER ASSETS		
Assets held under memorandum of understanding (Note 6)	89,072	115,484
Loan costs, net of accumulated amortization of $14,922 and $13,037	41,628	43,513
Deposits and other	11,623	11,623
Investments in limited partnerships (Note 3)	32,600	12,500
Accounts receivable long term	31,700	31,700
Note receivable - related party (Note 2)	480,130	465,000
Predevelopment costs (Note 13)	306,566	159,612
Total Other Assets	993,319	839,432
TOTAL ASSETS	$ 10,735,108	$ 9,384,463

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Current maturities of long-term debt (Note 8)	$ 116,863	$ 108,998
Accounts payable	133,258	69,287
Cost settlement payable	76	-
Accrued expenses	402,263	394,471
Deposits and advances held	98,000	28,000
Deferred revenue	597,743	679,204
Total Current Liabilities	1,348,203	1,279,960
LONG-TERM LIABILITIES		
Long-term debt - net of current portion (Note 8)	4,265,489	4,315,441
Forgivable loans/grants (Note 10)	2,063,500	1,564,500
Charitable gift annuity (Note 9)	12,315	13,061
Refundable advance (Note 6)	89,072	115,484
Total Long-Term Liabilities	6,430,376	6,008,486
Total Liabilities	7,778,579	7,288,446
NET ASSETS		
Unrestricted	2,877,574	2,070,857
Temporarily restricted	78,955	25,160
Total Net Assets	2,956,529	2,096,017
TOTAL LIABILITIES AND NET ASSETS	$ 10,735,108	$ 9,384,463

See accompanying notes to combined financial statements.

COMMUNITY HOUSING NETWORK, INC. AND AFFILIATES

COMBINED STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2014 and 2013

	Unrestricted	Temporarily Restricted	2014 Total	Unrestricted	Temporarily Restricted	2013 Total
SUPPORT AND REVENUE						
Program revenue						
Lease costs - OCCMHA	$ 3,396,444	$ -	$ 3,396,444	$ 3,318,511	$ -	$ 3,318,511
OCCMHA other	3,165,479	-	3,165,479	3,306,503	-	3,306,503
Federal supportive housing	3,794,343	-	3,794,343	3,423,616	-	3,423,616
Other federal funding	301,693	-	301,693	335,933	-	335,933
Other grant revenue and federal funding	856,775	76,002	932,777	840,138	-	840,138
Grant matching	27,275	-	27,275	75,642	-	75,642
Developer fees	671,637	-	671,637	413,066	-	413,066
Lease and rental income	186,473	-	186,473	142,081	-	142,081
Service income and management fees	1,729,127	-	1,729,127	1,723,366	-	1,723,366
Contributions and fundraising	229,605	13,450	243,055	223,739	2,401	226,140
Interest and dividend income	25,011	-	25,011	9,823	-	9,823
Other revenue	161,308	-	161,308	66,145	-	66,145
Net assets released from restrictions	35,657	(35,657)	-	5,253	(5,253)	-
Total Support and Revenue	14,580,827	53,795	14,634,622	13,883,816	(2,852)	13,880,964
EXPENSES						
Program	13,096,947	-	13,096,947	12,747,918	-	12,747,918
Management and general	571,263	-	571,263	477,850	-	477,850
Fundraising	105,900	-	105,900	88,374	-	88,374
Total Expenses	13,774,110	-	13,774,110	13,314,142	-	13,314,142
CHANGE IN NET ASSETS	806,717	53,795	860,512	569,674	(2,852)	566,822
NET ASSETS - Beginning of Year	2,070,857	25,160	2,096,017	1,501,183	28,012	1,529,195
NET ASSETS - END OF YEAR	$ 2,877,574	$ 78,955	$ 2,956,529	$ 2,070,857	$ 25,160	$ 2,096,017

See accompanying notes to combined financial statements.

COMMUNITY HOUSING NETWORK, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2014

	OCCMHA Contract	CHN Homes	Managed Entities	Federally Funded Programs	Independent Choice	Other Grants	MRP LLC	Total Program	Management and General	Fundraising	Total
Bank charges	$ 794	$ 1,843	$ -	$ 176	$ 123	$ -	$ 73	$ 3,009	$ 2,689	$ -	$ 5,698
OCCMHA match dollars for HUD	15,049	-	-	-	-	21,287	-	36,336	-	-	36,336
Consulting	65,608	-	-	-	-	6,960	-	72,568	4,115	-	76,683
Database development	5,874	-	1,500	-	-	-	1,729	9,103	752	-	9,855
Depreciation and amortization	175,915	43,341	-	-	16,874	-	-	236,130	448	-	236,578
Donations	780	18,388	-	-	-	350	11	19,529	-	-	19,529
Equipment lease/purchase	12,883	1,027	4,000	4,987	-	3,974	8,040	34,911	-	360	35,271
Equipment repair and replacement	28,558	2,350	-	-	-	-	-	30,908	3,057	-	33,965
Expense reimbursement	51,152	3,545	5,483	36,963	-	25,296	8,384	130,823	7,015	-	137,838
Fundraising events	-	-	-	-	-	-	-	-	-	85,537	85,537
Grant development	-	82,200	-	-	-	-	-	82,200	-	-	82,200
Insurance	30,029	1,991	-	-	2,091	-	2,057	36,168	877	50	37,095
Interest	257,384	12,726	-	-	1,814	-	-	271,924	53	-	271,977
Lease - office	84,752	(1,930)	-	-	-	32,337	21,840	136,999	10,351	-	147,350
Lease costs - federal programs	-	15,740	-	2,836,395	-	107,097	-	2,959,232	-	-	2,959,232
Lease payments - OCCMHA contract	2,866,240	-	-	-	-	-	-	2,866,240	-	-	2,866,240
Legal	12,177	2,119	-	-	-	315	430	15,041	-	-	15,041
Maintenance	890,940	83,370	-	-	13,901	718	605,429	1,594,358	-	-	1,594,358
Memberships, internet, subscriptions	27,248	809	92	17,410	10	94	2,416	48,079	3,014	-	51,093
Miscellaneous	35,013	15,724	23,997	9,596	150	6,072	61	90,613	7,792	-	98,405
Other operating costs	-	-	-	3,331	-	-	-	3,331	-	-	3,331
Payroll services	17,314	-	-	-	-	-	-	17,314	1,712	-	19,026
Postage	4,907	35	4,029	362	-	608	2,167	12,108	703	1,024	13,835
Printing	23,775	1,182	-	-	-	-	156	25,113	2,484	2,231	29,828
Professional fees	1,851	22,162	-	28,900	3,504	5,102	-	61,519	6,139	-	67,658
Property taxes	77,613	13,860	-	-	4,718	-	-	96,191	-	-	96,191
Salaries and fringes	1,314,349	161,796	294,961	1,127,463	806	640,807	369,981	3,910,163	512,382	16,355	4,438,900
Seminars	27,738	250	200	-	-	6,169	1,056	35,413	-	-	35,413
Supportive services	-	79,610	-	75,809	-	-	-	155,419	-	-	155,419
Supplies	36,668	4,412	10,525	228	-	2,561	11,801	66,195	5,230	343	71,768
Utilities	15,552	3,779	-	-	14,394	846	5,439	40,010	2,450	-	42,460
Total Expenses	$ 6,080,163	$ 570,329	$ 344,787	$ 4,141,620	$ 58,385	$ 860,593	$ 1,041,070	$13,096,947	$ 571,263	$ 105,900	$13,774,110

See accompanying notes to combined financial statements.

COMMUNITY HOUSING NETWORK, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2013

	OCCMHA Contract	CHN Homes	Managed Entities	Federally Funded Programs	Independent Choice	Other Grants	MRP LLC	Total Program	Management and General	Fundraising	Total
Appraisal/Inspections	$ -	$ -	$ -	$ -	$ -	$ 850	$ -	$ 850	$ -	$ -	$ 850
Bank charges	664	3,118	-	3	60	-	38	3,883	244	-	4,127
OCCMHA match dollars for HUD	20,650	327	-	-	-	19,500	-	40,477	-	-	40,477
Consulting	115,476	-	3,472	-	-	20	14,400	133,368	-	-	133,368
Database development	594	(2)	2,488	-	-	-	1,880	4,960	50	-	5,010
Depreciation and amortization	155,655	28,625	-	-	16,874	-	-	201,154	11,574	-	212,728
Donations	1,623	795	-	-	-	477	100	2,995	-	-	2,995
Equipment lease/purchase	45,847	97	3,750	398	-	2,858	5,246	58,196	-	-	58,196
Equipment repair and replacement	26,595	313	6,917	-	-	-	1,162	34,987	2,233	-	37,220
Expense reimbursement	48,335	4,331	5,633	4,836	-	23,875	7,493	94,503	-	586	95,089
Fundraising events	-	-	-	-	-	-	-	-	-	72,858	72,858
Grant development	2,961	94,729	-	-	-	-	-	97,690	-	-	97,690
Insurance	21,653	6,309	-	-	1,981	-	1,098	31,041	1,785	-	32,826
Interest	247,735	13,578	-	-	1,864	-	-	263,177	-	-	263,177
Lease - office	64,773	305	-	-	-	13,192	22,560	100,830	6,436	-	107,266
Lease costs - federal programs	-	2,233	-	2,633,999	-	76,614	-	2,712,846	-	-	2,712,846
Lease payments - OCCMHA contract	2,834,742	-	-	-	-	-	-	2,834,742	-	-	2,834,742
Legal	17,141	1,863	1,355	3,328	-	-	962	24,649	-	-	24,649
Maintenance	1,093,583	38,269	-	-	18,895	4,092	608,477	1,763,316	-	-	1,763,316
Memberships, internet, subscriptions	19,347	652	387	8,059	30	2,358	3,254	34,087	1,659	-	35,746
Miscellaneous	29,618	(14,814)	1,919	5,757	94	9,665	92	32,331	1,373	580	34,284
Other operating costs	-	-	-	2,798	-	-	-	2,798	-	-	2,798
Payroll services	15,929	-	940	-	-	-	1,248	18,117	1,156	-	19,273
Postage	2,704	7,215	4,834	470	-	1,136	2,147	18,506	1,151	368	20,025
Printing	4,429	14,408	940	-	-	-	940	20,717	1,322	172	22,211
Professional fees	(3,382)	11,628	-	30,500	2,825	977	41,049	83,597	-	20	83,617
Property taxes	52,901	13,305	-	-	4,947	-	-	71,153	-	-	71,153
Salaries and fringes	1,337,834	83,345	250,784	1,054,937	-	657,045	387,408	3,771,353	445,684	13,519	4,230,556
Seminars	18,719	429	34	-	-	7,079	684	26,945	-	-	26,945
Supportive services	-	68,692	-	133,874	-	-	-	202,566	-	-	202,566
Supplies	13,172	(17,494)	11,158	234	-	12,226	4,818	24,114	1,524	271	25,909
Utilities	19,808	105	94	-	11,987	725	5,251	37,970	1,659	-	39,629
Total Expenses	$ 6,209,106	$ 362,361	$ 294,705	$ 3,879,193	$ 59,557	$ 832,689	$ 1,110,307	$12,747,918	$ 477,850	$ 88,374	$13,314,142

See accompanying notes to combined financial statements.

COMMUNITY HOUSING NETWORK, INC. AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 860,512	$ 566,822
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	236,577	212,728
Accrued interest- note receivable	(15,130)	-
Changes in assets and liabilities		
Accounts receivable	(165,618)	(66,879)
Grants receivable	191,221	(38,857)
Cost settlement receivable	215	86
Prepaid expenses	1,590	(2,574)
Assets held under memorandum of understanding	26,412	3,831
Deposits and other	-	6,000
Predevelopment costs and note receivable	(146,954)	(271,254)
Accounts payable	63,972	7,803
Cost settlement payable	76	-
Accrued expenses	7,792	85,162
Deferred revenue	(81,461)	124,332
Refundable advance	(26,412)	(3,831)
Net Cash Flows from Operating Activities	952,792	623,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(852,353)	(1,314,930)
Investment in partnerships	(20,100)	-
Net Cash Flows from Investing Activities	(872,453)	(1,314,930)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt and charitable gift annuity	(110,517)	(99,232)
Proceeds from long-term debt and forgivable loans/grants	566,684	1,296,222
Change in deposits and advances held	70,000	-
Net Cash Flows from Financing Activities	526,167	1,196,990
Net Change in Cash and Cash Equivalents	606,506	505,429
CASH AND CASH EQUIVALENTS - Beginning of Year	2,731,171	2,225,742
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,337,677	$ 2,731,171
Supplemental cash flow disclosures		
Cash paid for interest	$ 271,871	$ 257,015

See accompanying notes to combined financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

Community Housing Network, Inc. ("CHN"), Independent Choice Non-Profit Housing Corporation ("Independent Choice") and Midwest Resource Partners, LLC ("Midwest") are community economic development organizations that promote the economic self-sufficiency and inclusion of people with special needs and people of moderate, low, or very low income in their communities through home ownership and access to affordable, desirable housing opportunities and other community resources. Currently, CHN, a 501(c)(3) tax-exempt corporation, operates programs in several counties in Southeast Michigan. Independent Choice, also a 501(c)(3) tax exempt corporation, was formed for the purpose of providing, in the form of individual residences, affordable rental housing for people with disabilities in Southeast Michigan. Midwest, a single member LLC, with CHN as the single member, is a for-profit entity that performs services for entities, individuals with disabilities and others in areas including, but not limited to, property and asset management, housing resources and lease maintenance. Oakland Housing Partners, Inc. ("OHP"), Oakland Housing Partners II, Inc. ("OHP II"), Oakland Housing Partners III, Inc. ("OHP III") and Macomb Innovative Development Group, Inc. ("MIDG") are wholly owned for-profit subsidiaries of CHN that serve as the general partners for low income housing tax credit limited partnerships. CHN Unity Park II Limited Dividend Housing Association Limited Partnership ("Unity Park II") and CHN Grafton Limited Dividend Housing Association Limited Partnership ("Grafton") are entities created to partner with CHN in low income housing tax credit projects in Southeast Michigan. CHN and OHP III are the partners in Unity Park II at September 30, 2014 and 2013. CHN and MIDG are partners in Grafton at September 30, 2014.

Principles of Presentation

The accompanying combined financial statements include the accounts of CHN and Independent Choice, entities under common management. Midwest, OHP, OHP II, OHP III, MIDG, Unity Park II and Grafton are 100% owned by CHN; therefore, the activity of those entities has been consolidated with CHN before combining with Independent Choice. The entities are collectively referred to as the "Organization", unless otherwise noted. Significant activity and balances between the entities have been eliminated.

Cash and Cash Equivalents

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

The Department of Housing and Urban Development (HUD) requires separate cash accounts for each federal contract. The total amount of HUD cash balances included in cash and cash equivalents as of September 30, 2014 and 2013 are $24,343 and $120,276, respectively.

The Organization maintains its cash and cash equivalent balances primarily in area banks. Cash deposits are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). The Organization may at times have balances that exceed the FDIC limit; the Organization has not experienced any losses in such accounts and believes it is not exposed to significant credit risk related to its cash and cash equivalents.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Accounts and Grants Receivable

Accounts and grants receivable have been adjusted for all known uncollectible accounts. On a periodic basis, the Organization evaluates its accounts and grants receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on past collection history and current credit conditions. An allowance of $5,100 was deemed necessary as of September 30, 2014 and 2013. When management determines that a receivable is uncollectible, the balance is charged against the allowance account.

Note Receivable

The note receivable is stated at the unpaid principal balance plus accrued interest less an allowance for note losses. Interest on the note is credited to income when earned. A note is considered past due if all principal and interest payments are not paid as of the maturity date of the note. The allowance for note losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent to the note receivable.

Management considers a note impaired when based on current information or factors (such as payment history, value of collateral, and assessment of customer's current creditworthiness), it is probable that the principal and interest payments will not be collected according to the note agreement. Management does not consider this note impaired.

The amount of the allowance is based on management's evaluation of the collectability of the note including the nature of the note, credit concentrations, trends in historical data, economic conditions, and other risks inherent to the note. If needed, the allowance is increased by provision for losses, which is charged to expense, and reduced by charge offs, net of recoveries. Management has determined that the note receivable is fully collectible and therefore no allowance is recorded as of September 30, 2014 and 2013.

A note is placed on nonaccrual status when management determines, after considering economic and business conditions and collection efforts, that the note is impaired or collection of interest is doubtful. Uncollectible interest previously accrued is charged off, or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent that cash payments are received.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property and equipment in excess of $5,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in the combined statements of activities.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Marketable Securities

Marketable securities are reported on the combined statement of financial position as assets held under memorandum of understanding and are stated at fair value based on quoted market prices. Investment gains or losses and unrealized gains or losses are included in the combined statement of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Deferred Revenue

The Organization receives grants from local, state and federal sources that are considered exchange transactions. The Organization records deferred revenue when the grants are received and recognizes the revenue when the terms of the grant are completed.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets at September 30, 2014 and 2013 are program restricted.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization currently has no permanently restricted net assets.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Tax Status

CHN and Independent Choice have received notification that they qualify as tax-exempt organizations under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and, accordingly, are not subject to federal or state income taxes on related income. Unrelated business income may be subject to taxation. Midwest is a single member limited liability corporation, with CHN as the single member. Midwest is treated as a disregarded entity for tax purposes, with all activity included in the single member's tax filings. OHP, OHP II, OHP III, and MIDG are for-profit corporations, with minimal activity during the year. Unity Park II and Grafton remain in the project development stage at September 30, 2014.

The Organization follows guidelines included in standards relating to the accounting for uncertainty in income taxes. The tax effects from an uncertain tax position can be recognized in the combined financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would be more likely than not to sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the combined financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority.

Based on its evaluation, the Organization has concluded that there are no significant uncertain tax positions requiring recognition in its combined financial statements. The Organization is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for the years before September 30, 2011. The Organization is not currently under examination by any taxing jurisdiction.

Revenue Recognition - Contributions

Contributions, including unconditional promises to give, are measured at fair values and are reported as an increase in net assets in the period received. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of property and equipment at fair value as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about the length of time those long-lived assets must be maintained, the Organization reports the donated or acquired long-lived assets as unrestricted.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Program Revenue - OCCMHA

CHN receives program revenue in connection with a contract through Oakland County Community Mental Health Authority (OCCMHA). The contract is being funded solely for the Organization's programs, providing housing assistance to those with special needs.

The contract does not meet the accounting standards definition of a contribution and is recorded as an "unrestricted" exchange contract.

Program Revenue - Grants

CHN receives grants through HUD for the permanent leasing assistance program. The program was established to provide permanent supported housing through the leasing of scattered site rental units through Oakland and Macomb counties. The intent is to provide rental assistance and supportive services for individuals and families with disabilities who are homeless. Program revenue is recognized as the rent and support service expenses are paid.

Retroactive determination of allowable costs by resource providers may result in final settlements different from interim payments for reimbursable services submitted by the Organization. Revenue is reported at the estimated net realizable amounts from resource providers for services rendered, including estimated retroactive adjustments under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Donated Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No donated services of this nature were received for the years ended September 30, 2014 and 2013.

The Organization receives donated services from various unpaid volunteers. The value of these services has not been recognized as support in the combined financial statements as the services do not meet the criteria for recognition. The Organization received approximately 10,900 and 6,400 unpaid volunteer hours during the years ended September 30, 2014 and 2013, respectively. These hours translate to a dollar value of approximately $241,000 and $140,000 for the years ended September 30, 2014 and 2013, respectively, based on the most recent published national average volunteer hourly rate.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited using an appropriate basis.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Reclassification

For comparability, certain 2013 amounts have been reclassified to conform with classifications adopted in 2014. The reclassifications have no effect on reported amounts of net assets or change in net assets.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Note Receivable - Related Party

The note receivable represents a loan to CHN Palmer Limited Partnership ("Palmer") for $465,000 accruing interest at 3% annually. Outstanding principal and interest are due on maturity of the loan August 6, 2027. CHN has a second priority mortgage on the real property of Palmer. The outstanding balance as of September 30 is as follows:

	2014	2013
Principal	$ 465,000	$ 465,000
Accrued interest receivable	15,130	-
	$ 480,130	$ 465,000

The Organization has evaluated the note receivable and determined that the entire balance is collectible and that no allowance is necessary as of September 30, 2014 and 2013, respectively.

NOTE 3 - Investments in Limited Partnerships

The Organization accounts for investments in limited partnerships under the equity method. The Organization has invested in the following partnerships as of September 30:

Name of partnership	Percentage Owned	Equity	
		2014	2013
CHN Palmer Limited Partnership ("Palmer")	0.01%	$ 12,500	$ 12,500
CHN Unity Park Limited Dividend Housing Association Limited Partnership ("Unity Park")	0.01%	$ 20,100	$ -

Both of the partnerships have December 31, year ends. Palmer was fully operational as of

NOTE 3 - Investments in Limited Partnerships (cont.)

September 30, 2014, Unity Park was in the construction phase and had not commenced operations. Neither partnership was operational as of September 30, 2013.

Palmer

	2014 (unaudited)
Total Assets	$ 5,459,988
Liabilities	524,144
Equity	4,935,844
Total Liabilities and Equity	$ 5,459,988
Total partnership income	$ 48,718

Unity Park

	2014 (unaudited)
Total Assets	$ 5,204,646
Liabilities	3,933,549
Equity	1,271,097
Total Liabilities and Equity	$ 5,204,646
Total partnership income	$ -

NOTE 4 - Property and Equipment

The major categories of property and equipment at September 30, are summarized as follows:

	Depreciable Lives	2014	2013
Homes	27.5 yrs.	$ 5,844,717	$ 5,469,417
Land	N/A	668,425	626,725
Home improvements	27.5 yrs.	704,168	268,815
Furniture and fixtures	5-7 yrs.	650	650
Computer equipment	3-5 yrs.	63,914	63,914
Total cost		7,281,874	6,429,521
Less: Accumulated depreciation		(1,685,407)	(1,450,714)
Net		$ 5,596,467	$ 4,978,807

Total depreciation expense for the years ended September 30, 2014 and 2013 was $234,693 and $210,842, respectively.

NOTE 5 - Fair Value Measurements

Fair Value Hierarchy

The Organization follows generally accepted accounting principles related to fair value measurements which provide a framework for measuring, reporting and disclosing fair value. This pronouncement applies to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis.

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risks), using the best information available in the circumstances, which may include using the reporting entity's own data.

See Note 6 for classified investments, which are being valued at Level 1 fair market value based on quoted market prices.

NOTE 6 - Assets Held Under Memorandum of Understanding

In accordance with a memorandum of understanding with OCCMHA, the Organization received a payment of $150,000 on April 1, 2007, for the maintenance and support of three specific projects for fifteen years. As of September 30, 2014 and 2013, the funds were invested in money market and equity and fixed income mutual funds. The balance remaining at September 30, 2014 and 2013 are as follows:

	2014	2013
Money market funds	$ 59,445	$ 80,358
Equity mutual funds	15,808	17,855
Fixed income mutual funds	13,819	17,271
Total	$ 89,072	$ 115,484

Transfers are made periodically to an Independent Choice bank account to be used for the specified projects. Upon transfer, the amounts are recognized as revenue by Independent Choice. All earnings on funds are required to be reinvested for the future use of the projects.

At the end of the fifteen year period, March 2022, any unexpended funds will be returned to OCCMHA. The amount of expended funds at September 30, 2014 and 2013 is reflected in the combined statement of financial position as a refundable advance.

NOTE 7 - Line of Credit

CHN has available a line of credit with a bank up to $300,000. No amounts were outstanding on the line of credit at September 30, 2014 and 2013. The line of credit is secured by all assets of CHN. Interest is payable at 1.000 percentage point above the prime rate (3.25% at September 30, 2014). There was no interest expense incurred on the line of credit for the years ended September 30, 2014 and 2013.

NOTE 8 - Long-Term Debt

Long-term debt consists of a significant number of mortgages payable to banks, secured by homes that are leased to consumers through various assistance programs. The mortgages are payable in monthly installments ranging from $139 through $1,568, at interest rates ranging from 5.00% through 7.12%. The mortgages mature in years ranging from 2020 through 2044.

Long-term debt consists of the following at September 30:

	2014	2013
Total long-term debt	$ 4,382,352	$ 4,424,439
Less: Current portion	116,863	108,998
Long-Term Portion	$ 4,265,489	$ 4,315,441

Principal requirements on long-term debt for years ending after September 30, 2014 are as follows:

Year ending September 30,	
2015	$ 116,863
2016	123,860
2017	131,519
2018	139,677
2019	145,358
2020 and thereafter	3,725,075
Total	$ 4,382,352

Long-term debt interest charged to expense was $271,393 and $262,484 for the years ended September 30, 2014 and 2013, respectively.

NOTE 9 - Charitable Gift Annuity

CHN holds a charitable gift annuity, payable to the donors in annual payments of $1,375 over the lifetime of the donors, including interest at 4.71%. Included in cash and cash equivalents is approximately $20,000 representing the annuity assets. Obligations to annuitants under split interest agreements at September 30, 2014 and 2013 totaled $12,315 and $13,061, respectively. Interest expense for the years ending September 30, 2014 and 2013 was $629 and $663, respectively.

NOTE 10 - Forgivable Loans/Grants

The Organization has a number of 0% forgivable loans/grants (the loans). These loans were made under a program with the FHLBI in conjunction with a sponsoring bank. The terms of the loans have the characteristics of both grants and loans.

The loans call for repayments including interest at the bank's comparable interest rate and terms if the property acquired ceases to be used for its original intent or if the property is sold. Repayment is forgiven between fifteen and twenty years after the property is available for use in the applicable assistance programs as determined at the time of the loans.

The loans are encumbering the respective properties until the time period in which the loan agreements expire, ranging from 2017 through 2032.

No interest is accrued on the loans. Management's intention is to comply at all times with the loan agreements, making it unlikely that interest would have to be paid.

The loans are not being discounted over the holding period, but rather will convert to grant income in the year that the loan agreement expires, repayment is forgiven, and the related property becomes unencumbered.

Forgivable loan maturity dates for years ending after September 30, 2014 are as follows:

Year ending September 30,	
2015	$ -
2016	-
2017	360,000
2018	-
2019	-
2020 and thereafter	1,703,500
Total	$ 2,063,500

NOTE 11 - Retirement Plan

The Organization maintains a 401(k) plan. The plan covers certain eligible employees, as outlined in the plan document. The Organization matches 100% of the employees' contributions, up to 4% of eligible employee compensation.

The Organization also can make discretionary contributions to eligible employees and did so in 2014 and 2013. The amount of total Organization contributions were $335,682 and $228,169 for the years ended September 30, 2014 and 2013, respectively.

NOTE 12 - Related Parties

The Organization is related through common board composition, but has no economic interest for three not-for-profit affordable housing entities formed under HUD Section 811 grant programs, Independent Supportive Housing I, Independent Supportive Housing II and ISHO III; These entities develop affordable housing projects with federal funds, with the Organization providing predevelopment funding until the projects receive their grant funds.

The Organization is also the general partner for four low income housing tax credit projects, Palmer, Unity Park, Unity Park II, and Grafton (projects). The Organization provides predevelopment funding from the inception of the project until an investor limited partner is admitted to the partnership, at which time the Organization is typically reimbursed for the advances. The Organization earned developer's fees and partnership management fees related to these projects totaling $517,180 and $344,596 for the years ended September 30, 2014 and 2013, respectively.

NOTE 13 - Predevelopment Costs

The amount of predevelopment costs of the Organization at September 30, 2014 and 2013 was:

	2014	2013
ISHO III	$ 30,573	$ 4,474
Unity Park	-	143,770
Unity Park II	48,693	11,368
Grafton	210,831	-
CHN-OCHDO	16,469	-
Total	$ 306,566	$ 159,612

The above amounts are reflected in the combined statement of financial position as predevelopment costs. No interest is charged on the predevelopment costs, and there is no specific due date. Periodically management reviews the viability of the project. If a project is determined not to be viable, management will write off the advance to the statement of activities in the year the determination is made. During November 2013, the Organization was reimbursed for the predevelopment funding to Unity Park by unrelated parties. As of September 30, 2014 and 2013, management has determined all the projects to be viable.

NOTE 14 - Guarantees

The Organization has provided unconditional limited guarantees to Palmer on the performance of a series of obligations related to being the general partner of the project. The obligations include the payment of all required reserves, fees, payment of credit reduction payments, repurchase of the partnership interests of limited partners and a required capital contribution if the developer fee has not been paid within 10 years of the placed in service date of the partnership assets. All the guarantees will only be enforceable if Palmer does not generate enough cash flow to pay the applicable obligations or if a compliance event happens.

In addition, the Organization has provided an operating deficit guaranty to cover any operating deficits of the partnership (after depletion of the operating reserves), not to exceed $65,000. After 10 years, the amount of the operating deficit guaranty will be reduced to $37,000. All payments made under this guaranty would be considered loans. The amount of operating reserves at September 30, 2014 was approximately $132,000. All the guarantees are limited to the developer's fees that CHN has received, $705,215 as of September 30, 2014.

The Organization has provided unconditional limited guarantees to Unity Park on the performance of a series of obligations related to being the general partner and developer of the project. The guaranty includes the full and prompt payment, performance, observance, compliance and satisfaction of all obligations, covenants, representations and warranties on the part of general partner and developer to be paid, performed, observed, complied with or satisfied with respect to the partnership and development agreements. The Organization has further guaranteed completion of construction and payment of the construction loan that has a balance of approximately $3,921,000 at September 30, 2014. Upon completion of construction, full payment of the loan, and other conditions, this guaranty will be terminated. All the guarantees are limited to the total amount of the developer's fees received, $225,843 as of September 30, 2014.

As of December 15, 2014, no triggering event has taken place to require performance on the obligations under the guarantees, and management believes the probability of any performance on the guaranty obligations to be remote.

In connection with the Palmer project, the Organization is required to meet a minimum net worth financial covenant of $259,000 throughout the life of the partnership. In connection with the Unity Park project, the Organization is required to meet a minimum liquidity financial covenant of $1,000,000. Once the final installment is made, the minimum liquidity requirement will be reduced to $300,000. At September 30, 2014 the Organization is in compliance with these covenants.

NOTE 15 - Operating Leases - Office Building

The Organization had an office lease agreement which specifies monthly payments of $15,187, including storage space, through October 31, 2016. A second office lease requires monthly payments of $2,000 through August 31, 2015. Office lease expense for the years ended September 30, 2014 and 2013 was $192,629 and $198,233, respectively.

The following is a schedule of future minimum lease payments:

Year ending September 30,	
2015	$ 204,244
2016	182,244
2017	15,187
Total	$ 401,675

NOTE 16 - Operating Leases - Homes

The Organization leases a significant number of homes that are provided to its clients through various assistance programs. The leases were originally held in the name of OCCMHA and Macomb Oakland Regional Center (MORC) and as the leases expired, CHN took over as lessee. The leases include both month-to-month and fixed year lease terms. For leases that remain in the name of OCCMHA or MORC, the Organization has assumed the leases and makes payments on behalf of the named lessee. Lease expense for the years ending September 30, 2014 and 2013 was $2,866,012 and $2,834,742, respectively.

The following is a schedule of future minimum lease payments for those leases for which the Organization is responsible:

Year ending September 30,	
2015	$ 2,020,070
2016	1,252,861
2017	666,548
2018	268,887
2019	58,386
Total	$ 4,266,752

NOTE 17 - Concentrations of Credit Risk

The Organization has a contract with OCCMHA to provide property management and other services for qualified individuals. This contract provided 45% and 48% of the Organization's revenue and support for the years ended September 30, 2014 and 2013, respectively. There were no significant accounts receivable related to this contract from OCCMHA as of September 30, 2014 and 2013.

NOTE 18 - Subsequent Events

The Organization has evaluated subsequent events through December 15, 2014, which is the date that the combined financial statements were approved and available to be issued.

OTHER INDEPENDENT AUDITORS' REPORTS

BAKER TILLY

Baker Tilly Virchow Krause, LLP
One Towne Sq, Ste 600
Southfield, MI 48076-3710
tel 248 372 7300
fax 248 368 8950
bakertilly.com

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

Independent Auditors' Report

To the Board of Directors
Community Housing Network, Inc. and Affiliates
Troy, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Community Housing Network, Inc. and Affiliates (the "Organization"), which comprise the combined statement of financial position as of September 30, 2014, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2014. The financial statements of the affiliates, Independent Choice Non-Profit Housing Corporation, Midwest Resource Partners, LLC, Oakland Housing Partners, Inc., Oakland Housing Partners II, Inc., Oakland Housing Partners III, Inc., Macomb Innovative Development Group, Inc., CHN Unity Park II Limited Dividend Housing Association Limited Partnership and CHN Grafton Limited Dividend Housing Association Limited Partnership 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 those entities.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined 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 combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Organization in a separate letter dated December 15, 2014

Purpose of this Report

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

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
December 15, 2014

BAKER TILLY

Baker Tilly Virchow Krause, LLP
One Towne Sq, Ste 600
Southfield, MI 48076-3710
tel 248 372 7300
fax 248 368 8950
bakertilly.com

REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

To the Board of Directors
Community Housing Network, Inc.
Troy, Michigan

Report on Compliance for The Major Federal Program

We have audited Community Housing Network, Inc. (the "Organization")'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended September 30, 2014. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those 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 federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on The Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2014.

an independent member of
BAKER TILLY
INTERNATIONAL

An Affirmative Action Equal Opportunity Employer

Report on Internal Control over Compliance

Management of the Organization 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 of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a 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 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. However, material weaknesses may exist that have not been identified.

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

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
December 15, 2014

SUPPLEMENTAL INFORMATION

COMMUNITY HOUSING NETWORK, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

FEDERAL AWARDS Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Awards				
Supportive Housing Program	14.235	MI0125L5F041205		$ 269,922
Supportive Housing Program	14.235	MI0125L5F041306		69,171
Supportive Housing Program	14.235	MI0129L5F041205		718,972
Supportive Housing Program	14.235	MI0129L5F041306		346,988
Supportive Housing Program	14.235	MI0313B5F041101		23,861
Supportive Housing Program	14.235	MI0313L5F041202		140,397
Supportive Housing Program	14.235	MI0342B5F041000		27,610
Supportive Housing Program	14.235	MI0342L5F041201		145,153
Supportive Housing Program	14.235	MI0122L5F041205		73,697
Supportive Housing Program	14.235	MI0122L5F041306		56,276
Supportive Housing Program	14.235	MI0126L5F041205		231,738
Supportive Housing Program	14.235	MI0126L5F041306		48,394
Supportive Housing Program	14.235	MI0127L5F041205		225,170
Supportive Housing Program	14.235	MI0127L5F041306		103,032
Supportive Housing Program	14.235	MI0112L5F031205		198,967
Supportive Housing Program	14.235	MI0112L5F031306		21,177
Supportive Housing Program	14.235	MI0113L5F031205		151,479
Supportive Housing Program	14.235	MI0113L5F031306		55,680
Supportive Housing Program	14.235	MI0312B5F031101		32,725
Supportive Housing Program	14.235	MI0312L5F031302		19,936
Supportive Housing Program	14.235	MI0341L5F031201		44,274
Supportive Housing Program	14.235	MI0371B5F031100		78,946
Supportive Housing Program	14.235	MI0371L5F031201		43,981
Supportive Housing Program	14.235	MI0110L5F031205		227,065
Supportive Housing Program	14.235	MI0110L5F031306		50,995
Supportive Housing Program	14.235	MI0362L5F031202		172,380
Supportive Housing Program	14.235	MI0362L5F031303		91,156
Supportive Housing Program	14.235	MI0128L5F041205		27,632
Supportive Housing Program	14.235	MI0128L5F041306		44,083
Supportive Housing Program	14.235	MI0397L5F041200		32,185
Total Supportive Housing Program				3,773,042
Passed through Lighthouse of Oakland County, Inc.				
Emergency Solutions Grant	14.231		HML-2013-0361-EFS	144,337
Passed through Oakland County Community Mental Health Authority				
Shelter Plus Care	14.238		2014-0032	301,693
Total of U.S. Department of Housing and Urban Development				$ 4,219,072

See accompanying notes to schedule of expenditures of federal awards.

COMMUNITY HOUSING NETWORK, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (cont.)
For the Year Ended September 30, 2014

FEDERAL AWARDS Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number	Pass-Through Entity Identifying Number	Federal Expenditures Award
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Michigan Developmental Disabilities Council				
Development Disabilities Basic Support and Advocacy Grants	93.630		G-0601MIBS23	$ 37,500
Passed through Oakland County Community Mental Health Authority				
Projects for Assistance in Transition from Homelessness	93.150		2X06SMO16023	89,947
Total of U.S. Department of Health and Human Services				127,447
U.S. DEPARTMENT OF TREASURY				
Passed through Michigan State Housing Development Authority (MSHDA)				
National Foreclosure Mitigation Counseling	21.000		PL113-6X1350	9,000
National Foreclosure Mitigation Counseling	21.000		PL113-76X1350	14,243
Total of U.S. Department of Treasury				23,243
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 4,369,762

See accompanying notes to schedule of expenditures of federal awards.

COMMUNITY HOUSING NETWORK, INC. AND AFFILIATES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Community Housing Network, Inc., one of the organizations included in the accompanying combined financial statements, under programs of the federal government for the year ended September 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are recorded on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Catalog of Federal Domestic Assistance ("CFDA") Numbers

The Organization has reported amounts expended under the Continuum of Care program (14.267) for the supportive housing program as 14.235 as directed by the U.S. Department of Housing and Urban Development and for Shelter Plus Care under 14.238 as directed by the grantor.

Additionally, the National Foreclosure Mitigation Counseling ("NFMC") grant is administered by NeighborWorks America, a public, congressionally chartered nonprofit organization that receives an annual federal appropriation directly. By law, it is not a federal agency and therefore has no CFDA tracking number, yet it is a recipient of a direct appropriation of federal funds and its Grantees and their Sub Grantees are sub-recipients of federal funds. The U.S. Department of Treasury is listed as Agency 21 and disburses these funds to NeighborWorks America. Recipients and sub-recipients of NFMC Program are instructed to use CFDA number 21.000.

COMMUNITY HOUSING NETWORK, INC. AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2014

Section I: Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	X	none reported
Noncompliance material to financial statements noted?	_____	yes	X	no

Federal Awards

Internal control over the major program:				
Material weakness(es) identified?	_____	yes	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	X	none reported
Type of auditors' report issued on compliance for the major program:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____	yes	X	no

Identification of the major program:

CFDA Number(s)	Name of Federal Program or Cluster
14.235	Supportive Housing Program

Dollar threshold used to distinguish between Type A and Type B programs: $ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II: Financial Statement Findings

There were no financial statement findings for the year ended September 30, 2014.

Section III: Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs for the year ended September 30, 2014.

COMMUNITY HOUSING NETWORK, INC. AND AFFILIATES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2014

Section II: Financial Statement Findings

There were no financial statement findings for the year ended September 30, 2013.

Section III: Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs for the year ended September 30, 2013.

MICHIGAN
ECONOMIC DEVELOPMENT CORPORATION

MichiganAdvantage.org

OBSOLETE PROPERTY REHABILITATION ACT (OPRA)

The Obsolete Property Rehabilitation Act (OPRA), Public Act 146 of 2000, provides for a tax incentive to encourage the redevelopment of obsolete buildings. The tax incentive is designed to assist in the redevelopment of older buildings in which a facility is contaminated, blighted or functionally obsolete. The goal is to rehabilitate older buildings into vibrant commercial and commercial housing projects.

WHO IS ELIGIBLE TO APPLY?

OPRA tax abatements may be given for those eligible projects that take place on an obsolete property and result in a commercial or commercial housing building project located in only the local units of governments listed below:

Adrian
Albion
Alma
Alpena
Ann Arbor
Baldwin
Bangor
Battle Creek
Bay City
Benton Harbor
Benton Twp. (Berrien)
Bessemer
Big Rapids
Bronson
Buena Vista Twp. (Saginaw)
Burton
Cadillac
Carson City
Caspian
Center Line
Cheboygan
Coldwater
Coleman
Crystal Falls
Dearborn
Dearborn Heights
Detroit
Dowagiac
East Lansing
Eastpointe
Ecorse
Escanaba
Ferndale
Flint
Gaastra
Genesee Twp. (Saginaw)
Gibraltar
Gladstone
Grand Haven
Grand Rapids
Grayling
Hamtramck
Harbor Beach
Harper Woods
Hart
Hartford
Hazel Park
Highland Park
Holland
Inkster
Ionia
Iron Mountain
Iron River
Ironwood
Ishpeming
Jackson
Kalamazoo
Lansing
Lincoln Park
Livonia
Ludington
Manistee
Manistique
Marquette
Melvindale
Menominee
Midland
Monroe
Mount Clemens
Mount Morris
Mt. Morris Twp. (Genesee)
Mount Pleasant
Muskegon
Muskegon Heights
Norton Shores
Norway
Oak Park
Omer
Onaway
Owosso
Pinconning
Pontiac
Portage
Port Huron
Redford Twp.
River Rouge
Royal Oak Twp. (Oakland)
Saginaw
Saint Louis
Sault Ste. Marie
Southfield
Sturgis
Taylor
Three Rivers
Traverse City
Trenton
Vassar
Wakefield
Warren
Wayne
Wyandotte
Wyoming
Ypsilanti

©2008 Michigan Economic Development Corporation

HOW DOES IT WORK?

A community essentially freezes the existing taxable value on a designated facility for up to 12 years. By freezing the taxable value, it provides an incentive for the developer to make significant improvements to a building without increasing the property taxes on the building.

WHAT IS THE PROCESS?

The local unit of government must first establish an Obsolete Property Rehabilitation District consisting of one or more parcels or tracts of land characterized by obsolete commercial or commercial housing property. A resolution must be passed that determines the district to be an area characterized by obsolete properties. Prior to adopting a resolution, the community must give written notice by certified mail to all owners of all real property within the proposed district. Also, a public hearing must be held prior to adopting the resolution, with a public notice required not less than 10 days or more than 30 days prior to the date of the hearing.

Second, with the establishment of the district, the owner of an obsolete property can submit an application to the local unit of government for an obsolete property rehabilitation exemption certificate. Once a completed application is received, the clerk must notify the assessor and each taxing unit that levies property taxes (e.g. county, community college, library, etc...). Following the notice, a public hearing is required. The community can determine the number of years to apply the incentive, up to 12 years. The public hearings for the district and the exemption certificate may be held on the same day, but with individual public hearings.

Once approved locally, the application and resolution must be sent to the State Tax Commission. The State Tax Commission has 60 days to approve or disapprove the request. To apply for the abatement of school millage, the developer must make note of this on the application form.

WHY WOULD A COMMUNITY WANT TO OFFER AN OBSOLETE PROPERTY TAX REHABILITATION TAX ABATEMENT?

The OPRA incentive is used to encourage the redevelopment of blighted buildings. In many cases, this could be an abandoned, multi-story industrial building that is now more suited for commercial or residential rental units. To the developer, the advantage is savings on property taxes. The tax incentives essentially freeze the local property taxes for up to 12 years, exempting from local property tax all real property improvements. In addition, the State Treasurer has the ability to exempt one-half of the school millage for up to six years on 25 projects per year. In short:

- Incentives encourage the redevelopment of blighted buildings.
- By establishing a district, communities have the ability to target areas for redevelopment.

SUPPORTING STATUTE

Public Act 146 of 2000—OPRA

©2008 Michigan Economic Development Corporation