

COGSWELL HALL, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
with
Report of Independent Auditors



Cogswell Hall, Inc. and Subsidiaries

TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT AUDITORS	1-2
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4-5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	7-17
SUPPLEMENTAL INFORMATION:	
Consolidating Statements of Financial Position	18-19
Consolidating Statements of Activities and Changes in Net Assets	20-21
Supplemental Schedules of Functional Expenses	22-23



Report of Independent Auditors

To the Board of Directors of
Cogswell Hall, Inc. and Subsidiaries:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Cogswell Hall, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 18 through 23 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Novogradac & Company LLP

Dover, Ohio

July 23, 2018

COGSWELL HALL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	\$ 138,800	\$ 138,601
Restricted cash	5,245	5,190
Grants receivable	13,806	18,323
Other receivables	14,198	11,977
Prepaid expenses	11,655	25,033
Total current assets	183,704	199,124
Property and equipment:		
Land	180,000	180,000
Building and improvements	7,746,844	7,746,844
Furniture and equipment	126,357	126,357
Vehicle	34,500	9,560
	8,087,701	8,062,761
Less: accumulated depreciation	2,484,388	2,210,773
Total rental property	5,603,313	5,851,988
Other assets:		
Restricted deposits and funded reserves	186,778	193,196
Investments in securities - board designated	720,690	678,697
Investments in securities - certificates of deposit	133,107	131,922
Deferred charges, net of accumulated amortization	27,514	31,606
	1,068,089	1,035,421
Total assets	\$ 6,855,106	\$ 7,086,533

LIABILITIES AND NET ASSETS

Current liabilities:		
Current portion of equity bridge loan	\$ 104,686	\$ 102,629
Accounts payable	5,520	10,426
Accrued expense	356	-
Accrued payroll	26,264	26,264
Accrued payroll taxes	2,790	6,602
Accrued interest	11,307	11,307
Other current liabilities	6,745	5,190
Total current liabilities	157,668	162,418
Long term liabilities:		
Equity bridge loan	215,709	320,395
Total long term liabilities	215,709	320,395
Total liabilities	373,377	482,813
Net assets:		
Unrestricted:		
Board designated	720,690	678,697
Undesignated	3,339,161	3,311,549
Noncontrolling interest in Cogswell, LLC	2,407,562	2,611,604
Noncontrolling interest in Cogswell, Inc.	(2,776)	(2,597)
Temporarily restricted	17,092	4,467
Total net assets	6,481,729	6,603,720
Total liabilities and net assets	\$ 6,855,106	\$ 7,086,533

see accompanying notes

COGSWELL HALL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Grants and contributions:			
Foundations and trusts	\$ 387,204	\$ 38,000	\$ 425,204
Government agencies	126,700	-	126,700
Corporations and individuals	55,175	-	55,175
Fundraising	50,868	-	50,868
Net assets released from restrictions	25,375	(25,375)	-
Total grants and contributions	<u>645,322</u>	<u>12,625</u>	<u>657,947</u>
Program service revenue:			
Service fees	55,924	-	55,924
Rental and related	134,786	-	134,786
Other	21,112	-	21,112
Total program service revenue	<u>211,822</u>	<u>-</u>	<u>211,822</u>
Investment revenue:			
Interest and dividends	31,599	-	31,599
Unrealized gain on investments	46,491	-	46,491
Realized loss on investments	(2,092)	-	(2,092)
Total investment revenue	<u>75,998</u>	<u>-</u>	<u>75,998</u>
Total revenue and support	<u>933,142</u>	<u>12,625</u>	<u>945,767</u>
Expenses:			
Program services:			
Basic housing services	162,584	-	162,584
Facility maintenance services	99,680	-	99,680
Food and nutrition services	144,374	-	144,374
Resident services	159,273	-	159,273
Cogswell, LLC	413,334	-	413,334
Support services:			
Fundraising	115,275	-	115,275
General and administrative	84,345	-	84,345
Total expenses	<u>1,178,865</u>	<u>-</u>	<u>1,178,865</u>
Change in net assets	(245,723)	12,625	(233,098)
Change in net assets attributable to Cogswell, LLC noncontrolling interest	315,149	-	315,149
Change in net assets attributable to Cogswell, Inc. noncontrolling interest	179	-	179
Change in net assets attributable to Cogswell Hall, Inc.	<u>69,605</u>	<u>12,625</u>	<u>82,230</u>
Total net assets at beginning of year	6,599,253	4,467	6,603,720
Change in net assets	(245,723)	12,625	(233,098)
Capital contributions	111,107	-	111,107
Total net assets at end of year	<u>\$ 6,464,637</u>	<u>\$ 17,092</u>	<u>\$ 6,481,729</u>

see accompanying notes

COGSWELL HALL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Grants and contributions:			
Foundations and trusts	\$ 327,045	\$ 30,000	\$ 357,045
Government agencies	127,980	-	127,980
Corporations and individuals	57,826	-	57,826
Fundraising	56,234	-	56,234
Net assets released from restrictions	41,986	(41,986)	-
Total grants and contributions	<u>611,071</u>	<u>(11,986)</u>	<u>599,085</u>
Program service revenue:			
Service fees	70,528	-	70,528
Rental and related	135,451	-	135,451
Other	6,873	-	6,873
Total program service revenue	<u>212,852</u>	<u>-</u>	<u>212,852</u>
Investment revenue:			
Interest and dividends	31,661	-	31,661
Unrealized gain on investments	39,718	-	39,718
Total investment revenue	<u>71,379</u>	<u>-</u>	<u>71,379</u>
Total revenue and support	<u>895,302</u>	<u>(11,986)</u>	<u>883,316</u>
Expenses:			
Program services:			
Basic housing services	138,971	-	138,971
Facility maintenance services	97,519	-	97,519
Food and nutrition services	128,868	-	128,868
Resident services	147,261	-	147,261
Cogswell, LLC	411,626	-	411,626
Support services:			
Fundraising	115,322	-	115,322
General and administrative	72,201	-	72,201
Total expenses	<u>1,111,768</u>	<u>-</u>	<u>1,111,768</u>
Change in net assets	(216,466)	(11,986)	(228,452)
Change in net assets attributable to Cogswell, LLC noncontrolling interest	301,481	-	301,481
Change in net assets attributable to Cogswell, Inc. noncontrolling interest	154	-	154
Change in net assets attributable to Cogswell Hall, Inc.	<u>85,169</u>	<u>(11,986)</u>	<u>73,183</u>
Total net assets at beginning of year	6,704,612	16,453	6,721,065
Change in net assets	(216,466)	(11,986)	(228,452)
Capital contributions	111,107	-	111,107
Total net assets at end of year	<u>\$ 6,599,253</u>	<u>\$ 4,467</u>	<u>\$ 6,603,720</u>

see accompanying notes

COGSWELL HALL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (233,098)	\$ (228,452)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	287,267	288,940
Decrease (increase) in grants receivable	4,517	(5,464)
Increase in other receivables	(2,221)	(4,777)
Decrease (increase) in prepaid expenses	13,378	(13,835)
Decrease in accounts payable	(4,906)	(3,519)
Increase in accrued expenses	356	-
(Decrease) increase in accrued payroll taxes	(3,812)	4,580
Increase (decrease) in other current liabilities	1,555	(1,121)
Net cash provided by operating activities	<u>63,036</u>	<u>36,352</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed asset	(34,500)	-
Deposits to restricted cash	(55)	(379)
Withdrawals from (deposits to) funded reserves	6,418	(3,875)
Net purchase of investments	<u>(43,178)</u>	<u>(43,959)</u>
Net cash used in investing activities	(71,315)	(48,213)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to equity bridge loan	(102,629)	(100,613)
Receipt of capital contributions	<u>111,107</u>	<u>111,107</u>
Net cash provided by financing activities	<u>8,478</u>	<u>10,494</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	199	(1,367)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>138,601</u>	<u>139,968</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 138,800</u>	<u>\$ 138,601</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 8,478</u>	<u>\$ 10,494</u>

see accompanying notes

COGSWELL HALL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Organization

Cogswell Hall, Inc. (“CHI”) is a 501(c)(3) Ohio nonprofit corporation dedicated to reducing homelessness through the creation and preservation of safe and affordable housing with supportive services for low-income, disabled, and economically disadvantaged adults. Founded in 1878, CHI has maintained a residential facility located on Franklin Boulevard in Cleveland, Ohio since 1914.

Cogswell, LLC (“LLC”), an Ohio limited liability company, was formed on August 22, 2007 for the purposes of assuming ownership of the real estate owned by Cogswell Hall, Inc. at 7200 Franklin Boulevard in Cleveland, Ohio (the “Property”) as a qualified low-income housing project within the meaning of Section 42 of the Internal Revenue Code (“Section 42”) and eventually selling or disposing of the Property. The Property was renovated as a historic rehabilitation project in accordance with Section 47 of the Internal Revenue Code (“Section 47”) and Section 149.311 of the Ohio Revised Code (“ORC Section 149.311”). The Property consists of 41 residential housing units for rental to low-income tenants (the “Project”). The Project received federal low-income housing tax credits (“LIHTCs”), federal historic tax credits (“HTCs”) and state historic tax credits (“State HTCs”) (collectively, “Tax Credits”). LLC’s participation in the LIHTC Program requires LLC to enter into and be bound by a restrictive covenant. The covenant states that 40 units of the Property must be maintained as low-income housing for an initial compliance period of 15 years, and for the extended use period of an additional 15 years, unless terminated after the end of the initial 15 year period. In addition, the covenant requires rent restrictions so that units can be rented at a level that is affordable to persons with income at or below a specific percentage of the area median gross income (“AMGI”). Income restrictions require 40 of the units to be occupied by households with income at or below 60% of AMGI. Rent restrictions require rent on 40 of the units to be affordable to tenants in the amount at or below 60% of AMGI. At the conclusion of the 15-year tax credit financing period, ownership of the facility will revert back to Cogswell Hall, Inc.

Cogswell, Inc. (“CI”), an Ohio corporation, was formed on August 22, 2007 and is the managing member of LLC. CI is owned 51% by Detroit Shoreway Community Development Organization (“DSCDO”) and 49% by CHI.

Under the terms of LLC's original Operating Agreement, the initial sole member was CI. Pursuant to the Amended and Restated Operating Agreement (the “Operating Agreement”) dated July 15, 2008, LLC admitted Ohio Equity Fund for Housing Limited Partnership XVIII (the “Investor Member”). CI and Investor Member own 0.1% and 99.9%, respectively, of LLC. Pursuant to the Operating Agreement, CI and Investor Member were required to make capital contributions in the amount of \$2,351,230 and \$5,030,997, respectively. As of December 31, 2017 and 2016, CI had contributed \$2,351,230. In accordance with the Amendment to the Amended and Restated Operating Agreement (the “Amendment”) dated June 21, 2010, the Investor Member was required to make additional capital contributions totaling \$217,808. As of December 31, 2017 and 2016, the Investor Member had contributed \$4,915,476 and \$4,804,369, respectively. The remaining required capital contributions of \$333,329 from the Investor Member will be made upon achievement of certain milestones, as defined in the Amendment.

COGSWELL HALL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

1. Organization (continued)

Allocations of LLC's profits, losses, and Tax Credits are allocated 0.1% and 99.9% to CI and Investor Member, respectively. The Operating Agreement provides for special allocations to CI and Investor Member when certain conditions, as defined in the Operating Agreement, are met.

CHI operates its programs within the facility. CHI earns revenue and obtains contributions for food and nutrition, housekeeping, service linkage, on-site supportive services, community building activities, facility maintenance, security, utilities, and insurance.

2. Summary of Significant Accounting Policies and Nature of Operations

Principles of consolidation

CHI's consolidated financial statements include the accounts of CHI and its minority owned subsidiary, CI and its minority owned subsidiary, LLC (collectively, "CHI and the Subsidiaries"). All material intercompany transactions have been eliminated. The supplemental consolidating information provides detail for CHI, CI and LLC.

Basis of accounting

CHI prepares its consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of presentation

CHI is required to report information regarding its financial position and activities according to three classes of net assets. A description of the three categories is as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations that may or will be expendable by the board for any purpose in performing CHI's primary objectives.

Temporarily Restricted Net Assets: Net assets that are subject to donor-imposed stipulations that may or will be met either by CHI's actions and/or the passage of time.

Permanently Restricted Net Assets: Net assets that are subject to donor-imposed stipulations whereby the resources are to be preserved in perpetuity.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Economic concentrations

LLC operates one property located in Cleveland, Ohio. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

COGSWELL HALL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

2. Summary of Significant Accounting Policies and Nature of Operations (continued)

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition.

Restricted cash and funded reserves are not considered cash and cash equivalents, and includes cash held with financial institutions for refunds of tenant security deposits, funding of operating deficits, repairs or improvements to the buildings which extend their useful lives, payment of fiscal agency agreement related expenses, and annual insurance and property tax payments. Restricted cash does not fall under the criteria for temporarily or permanently restricted net assets as these funds are held for operational purposes rather than donor imposed restrictions.

Concentration of credit risk

CHI and the Subsidiaries maintain their cash in bank deposit accounts which, at times, may exceed federally insured limits. CHI and the Subsidiaries have not experienced any losses in such accounts. CHI and the Subsidiaries believe they are not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable and bad debts

CHI follows the policy of recording an allowance for potential accounts, grants, and contributions receivable that might not be collected. The allowance is based on management's estimate of individual amounts due and the historical collection rate. As of December 31, 2017 and 2016, no allowance for uncollectible receivables is required.

LLC tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Investments in securities

CHI classifies its investments in securities as trading for accounting purposes and classifies the fair value measurement of these securities as level 1. Changes in the fair value of the underlying investments are recorded in the consolidated statements of activities. As of December 31, 2017 and 2016, investments in securities – board designated of \$720,690 and \$678,697, respectively, were comprised of stocks, fixed income securities, mutual funds and preferred fixed rate cap securities. For the years ended December 31, 2017 and 2016, the unrealized (loss) gain was \$(2,092) and \$39,718, respectively, including \$1,701 and \$194, respectively, of investment management fees. As of December 31, 2017 and 2016, investments in securities – certificates of deposits of \$133,107 and \$131,922, respectively, were comprised of certificates of deposit.

COGSWELL HALL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

2. Summary of Significant Accounting Policies and Nature of Operations (continued)

Fair value measurements

CHI applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as CHI's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect CHI's own assumptions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future of fair values. Furthermore, although the valuation methods are determined to be appropriate and consistent within the industry, the use of different methodologies or assumptions to determine the fair value of certain assets and liabilities could result in a different estimate of fair value at the report date.

The table below presents amounts at December 31, 2017 and 2016 for significant items measured at fair value on a recurring basis. The fair value of the investments in securities – board designated is valued using a third-party measurement as follows at December 31:

	Level 1 2017	Level 1 2016
Stocks, options and exchange-traded fund	\$ 495,098	\$ 422,098
Fixed income securities	86,539	72,224
Mutual funds	139,053	184,375
Total investments in securities - board designated	<u>\$ 720,690</u>	<u>\$ 678,697</u>

COGSWELL HALL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

2. Summary of Significant Accounting Policies and Nature of Operations (continued)

Property and equipment and depreciation

Land is recorded at cost. Building acquisition and building improvement costs are recorded at cost and are depreciated over their estimated useful lives of 27.5 years under the straight-line method. Building improvements are being depreciated over 27.5, 15, and 5 years under the straight-line method. Equipment is recorded at cost and depreciated over its useful life of 5 years. Depreciation expense for CHI and the Subsidiaries for the years ended December 31, 2017 and 2016 was \$283,175 and \$284,848, respectively.

Deferred charges and amortization

Deferred charges consist of tax credit fees of \$25,378 and tax credit compliance monitoring fees of \$36,000, which are amortized under the straight-line method over the compliance period of 15 years. For the years ended December 31, 2017 and 2016, amortization expense was \$4,092 each year.

Impairment of long-lived assets

CHI and the Subsidiaries review their long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. There were no impairment losses recognized during 2017 and 2016.

Income taxes

CHI is a not-for-profit organization exempt from income tax under Section 501(c) (3) of the Internal Revenue Code and is exempt from similar state and local taxes.

Income taxes on LLC income are levied on the members at the member level. Accordingly, all profits and losses of LLC are recognized by each member on its respective tax return. CHI is a corporation but has no taxable income.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires CHI and the Subsidiaries to report information regarding their exposure to various tax positions taken by CHI and the Subsidiaries. CHI and the Subsidiaries have determined whether any tax positions have met the recognition threshold and have measured their exposure to those tax positions. Management believes that CHI and the Subsidiaries have adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three year of tax returns filed. Any interest or penalties assessed to CHI and the Subsidiaries are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

COGSWELL HALL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

2. Summary of Significant Accounting Policies and Nature of Operations (continued)

Revenue recognition

CHI's grants, gifts, and bequests are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when conditions on which they depend are substantially met. Upon recognition as revenue, grants, gifts, and bequests are recorded as unrestricted, temporarily restricted, or permanently restricted based on the directions of the donor. When a restriction expires, temporarily restricted net assets are released to unrestricted net assets. Grants, gifts, and bequests that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire within the fiscal year in which the revenue is recognized. Unconditional promises to give to be funded in subsequent years are reported at their present value. During 2017 and 2016, CHI received funds from HUD in the amount of \$102,300 and \$103,130, respectively. The grants from HUD were approximately 11% and 12%, respectively, of total revenue and support for the years ended December 31, 2017 and 2016. During 2017 and 2016, CHI received funds from Woman's Philanthropic Union in the amount of \$346,000 and \$276,000, respectively. The grants from Woman's Philanthropic Union were approximately 37% and 31% of total revenue and support for the years ended December 31, 2017 and 2016, respectively.

LLC's rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between LLC and the tenants of the Project are operating leases. Five units have a Shelter Plus Care Program (the "Program") project based voucher. Tenant rental amounts in these units are determined by the Program. In all other units LLC determines the tenant rent based on thirty percent of income. Other income from an operating subsidy from CHI, for late payments, fines, cleaning and damages is recorded when earned.

Donated goods, services, and facilities

Support arising from contributed goods, services, and facilities is recognized at the fair value of donated services in the consolidated financial statements if the services create or enhance nonfinancial assets or require a specialized skill, are provided by those possessing the skill, and would need to be purchased if not donated. Services provided by volunteers do not meet the requirements for recording in the consolidated financial statements and, therefore, no provision has been made for the fair value of services provided by the members of the Board of Trustees and other general volunteers.

Functional allocation of expenses

The costs of providing the various programs and other activities of CHI and the Subsidiaries have been allocated on a functional basis in the supplemental schedule of functional expenses. Costs and expenses have been allocated by management based on ongoing studies of the activities of CHI's employees and contractors.

Subsequent events

Subsequent events have been evaluated through July 23, 2018, which is the date the consolidated financial statements were available to be issued and there are no subsequent events requiring disclosure.

COGSWELL HALL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

3. Consolidated Net Assets

The following schedule summarizes the changes in consolidated net assets attributable to the controlling interest of CHI and the controlling and noncontrolling interests in CI and LLC for the years ended December 31, 2017 and 2016:

	Controlling Interest	Noncontrolling Interest	Total
Balance, January 1, 2016	\$ 3,921,530	\$ 2,799,535	\$ 6,721,065
Change in net assets	73,183	(301,635)	(228,452)
Capital contributions	-	111,107	111,107
Balance, December 31, 2016	3,994,713	2,609,007	6,603,720
Change in net assets	82,230	(315,328)	(233,098)
Capital contributions	-	111,107	111,107
Balance, December 31, 2017	<u>\$ 4,076,943</u>	<u>\$ 2,404,786</u>	<u>\$ 6,481,729</u>

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2017 and 2016:

	2017	2016
Caresource	\$ 5,239	\$ -
Community West	8,583	3,338
Murphy Foundation	2,270	1,129
Plymouth Church	1,000	-
	<u>\$ 17,092</u>	<u>\$ 4,467</u>

5. Funded Reserves

Operating reserve

Under the terms of the Operating Agreement, LLC is required to establish an operating reserve (the "Operating Reserve") in the amount of \$92,169 to be used to fund shortfalls in operating expenses and debt service payments. The Operating Reserve will be funded upon achievement of certain milestones, as defined in the Operating Agreement.

LLC is required to maintain the Operating Reserve for a period of 15 years from the time the Project receives the certificate of occupancy. No withdrawals may be made without the approval of the Investor Member and withdrawals may not be below \$1,000. The Operating Reserve is held in a segregated account controlled by the Investor Member. As of December 31, 2017 and 2016, the Operating Reserve was \$87,726 and \$93,420, respectively.

COGSWELL HALL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

5. Funded Reserves (continued)

Replacement reserve

Pursuant to the Operating Agreement, LLC is required to establish a replacement reserve (the “Replacement Reserve”). The Replacement Reserve is defined to be \$350 per unit per year, increasing by three percent annually and is to be used to make capital improvements to the Project. Payments are to be funded ratably on a monthly basis, and will commence with respect to each unit with the month such unit is placed in service. The Replacement Reserve is required to be held in a segregated account controlled by the Investor Member. As of December 31, 2017 and 2016, LLC’s Replacement Reserve was \$92,580 and \$89,508, respectively.

Insurance reserve

Under the terms of the Operating Agreement LLC is required to establish a tax and insurance reserve (the “Tax and Insurance Reserve”) to pay for the Project’s annual real estate taxes and insurance premiums. LLC is required to make monthly deposits in an amount equal to 1/12th of the Project’s annual real estate taxes and insurance premiums. The Tax and Insurance Reserve is required to be held in a segregated account controlled by CHI. During 2015, LLC was granted a real property tax exemption. In the future, LLC will only be required to fund the reserve for insurance premiums. As of December 31, 2017 and 2016, LLC’s Tax and Insurance Reserve was \$6,472 and \$10,268, respectively.

6. Note Payable – Equity Bridge Loan

LLC entered into a loan cognovits promissory note agreement with Ohio Housing Finance Agency (“OHFA Bridge Loan”), on May 25, 2010 for a principal amount up to \$1,000,000. The OHFA Bridge Loan is secured by the certain Assignment and Security Agreement, as outlined in the cognovits promissory note agreement. The OHFA Bridge Loan accrues interest at a rate of 2.00% per annum. Commencing on April 15, 2011, annual payments of principal and interest are due in the amount of \$111,107. Any unpaid interest and principal is due on April 15, 2020. As of December 31, 2017 and 2016, the outstanding principal balance was \$320,395 and \$423,024, respectively. As of December 31, 2017 and 2016, accrued interest on the OHFA Bridge Loan was \$11,307, for both years. Interest incurred and expensed on the OHFA Bridge Loan for the years ended December 31, 2017 and 2016 was \$8,478 and \$10,494, respectively.

Annual principal payments for the OHFA Bridge Loan for the next five years and thereafter are as follows:

Year ending December 31,	
2018	\$ 104,686
2019	106,784
2020	108,925
Total	<u><u>\$ 320,395</u></u>

COGSWELL HALL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

7. Related Party Transactions

Asset management fee

LLC entered into an Asset Management Fee Agreement with Ohio Capital Corporation for Housing (“OCCH”), an affiliate of the Investor Member, on July 15, 2008. Under the terms of the Asset Management Fee Agreement, OCCH is entitled to receive an asset management fee for services rendered equal to \$4,000 annually, increasing by 3% each year. The first payment of the asset management fee is due upon the earliest of 100% qualified occupancy or three months following the issuance of the Project’s Certificate of Occupancy. For the years ended December 31, 2017 and 2016, the asset management fee expensed and paid was \$4,920 and \$4,776, respectively.

Property management fee

LLC entered into a Property Management Agreement with DSCDO on July 15, 2008. The Property Management Agreement provides for a property management fee of 10% of gross rental receipts. On March 30, 2011, LLC entered into a new Property Management Agreement with CHI. The Property Management Agreement provides for a property management fee of 10% of gross rental receipts. In addition, the Property Management Agreement allows CHI to charge the LLC for personnel, maintenance, and other operating expenses incurred by CHI on behalf of the LLC. For the years ended December 31, 2017 and 2016, \$13,106 and \$13,609, respectively, of property management fees were incurred and expensed. As of December 31, 2017 and 2016, LLC owed \$14,005 and \$23,586, respectively, of operating expenses to CHI.

Operating Deficit Guarantee

CI is obligated to provide funds to LLC in an amount up to \$167,423 to allow LLC to meet all reasonable current costs of owning and operating the Property for a period ending on the latter of (i) ten years from the date the Project has obtained 100% qualified occupancy or (ii) when for a twenty-four month period the Project has achieved an Income and Expense Ratio, as defined in the Operating Agreement. Funds made available by CI are treated as loans to LLC. As of December 31, 2017 and 2016, no operating deficit guaranty loans have been made.

8. Fiscal Agency Agreement

On August 8, 2014, CHI entered into a Fiscal Agency Agreement with Franklin Block Club (the “Club”), whereas CHI agreed to act as fiduciary agent and receive tax-deductible charitable gifts, grants and contributions to be awarded by donors on behalf of the Club. Donations received are maintained in a temporarily restricted account and disbursed to pay for donor-restricted projects, as directed by the Club. As the agent, CHI recognizes its liability to the Club concurrent with its recognition of cash or other financial assets received from the donor. As of both December 31, 2017 and 2016, the cash and corresponding liability held by CHI on behalf of the Club was \$4,517, and is included in restricted cash and other current liabilities, respectively, on the consolidated statement of financial position.

COGSWELL HALL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

8. Fiscal Agency Agreement (continued)

On February 10, 2016, CHI entered into a Fiscal Agency Agreement with the Neighbor Night Committee (the “Committee”), whereas CHI agreed to act as fiduciary agent and receive tax-deductible charitable gifts, grants and contributions to be awarded by donors on behalf of the Committee. Donations received are maintained in a temporarily restricted account and disbursed to pay for donor-restricted projects, as directed by the Committee. As the agent, CHI recognizes its liability to the Committee concurrent with its recognition of cash or other financial assets received from the donor. As of December 31, 2017 and 2016, the cash and corresponding liability held by CHI on behalf of the Committee was \$728 and \$673, respectively, and is included in restricted cash and other current liabilities, respectively, on the consolidated statement of financial position.

9. Low-Income Housing Tax Credits

LLC expects to generate an aggregate of \$4,505,660 of LIHTCs. The Project has qualified for and been allocated LIHTCs pursuant to Section 42, which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The Project must meet the provision of these regulations during each of 15 consecutive years in order to remain qualified to receive the LIHTCs. In addition, the Project has executed an Extended Use Low-Income Housing Agreement which requires the utilization of the Project pursuant to Section 42 for a minimum of 30 years. LLC’s LIHTCs are contingent on its ability to maintain compliance with applicable sections of Section 42. Because the LIHTCs are subject to compliance with certain requirements, there can be no assurance that the aggregate amount of LIHTCs will be realized, and failure to meet all such requirements or to correct noncompliance within a specified time period may result in generating a lesser amount of LIHTCs than expected in future years, and/or recapture of LIHTCs previously allocated. A reduction of future credits or recapture would require credit deficit payments to the Investor Member under the terms of the Operating Agreement.

As of December 31, 2017 and 2016, LLC had generated \$3,734,049 and \$3,283,483, respectively, of LIHTCs. LLC anticipates generating LIHTCs as follows:

2018	\$	450,566
2019		321,045
Total	\$	<u>771,611</u>

10. Historic Tax Credits

LLC generated HTC’s under Section 47. HTC’s are available at the date the rehabilitation is placed in service and are equal to 20% of the qualified rehabilitation expenditures with respect to any certified historic structure. In order to qualify for HTC’s, LLC must comply with various federal requirements. The requirements include, but are not limited to, the Project being listed as a certified historic structure in the National Register, located in a registered historic district and certified by the Secretary of the Interior as being of historic significance to the district, and the rehabilitation being performed in a manner consistent with standards established by the Secretary of the Interior. In addition, the Project cannot be sold or transferred for a five year period.

COGSWELL HALL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

10. Historic Tax Credits (continued)

HTCs are allocated 99.9% and 0.1% to the Investor Member and CI, respectively. LLC also participated in the State of Ohio historic tax credit program under ORC Section 149.311 and has generated State HTCs. State HTCs are available at the date the rehabilitation is placed in service and are equal to 25% of the qualified rehabilitation expenditures with respect to any certified historic structure. In order to qualify for State HTCs, LLC must comply with various State of Ohio requirements. State HTCs are allocated 99.9% and 0.1% to the Investor Member and CI, respectively. The rehabilitation was placed in service in 2009 and the Project generated \$834,114 of HTCs and \$986,128 of State HTCs for 2009.

Supplemental Information

COGSWELL HALL, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

	Cogswell Hall, Inc.	Cogswell, Inc.	Cogswell, LLC	Eliminations	Net
Current assets:					
Cash and cash equivalents	\$ 94,621	\$ -	\$ 44,179	\$ -	\$ 138,800
Restricted cash	5,245	-	-	-	5,245
Grants receivable	13,806	-	-	-	13,806
Other receivables	27,433	-	770	(14,005)	14,198
Prepaid expenses	7,609	-	4,046	-	11,655
Total current assets	<u>148,714</u>	<u>-</u>	<u>48,995</u>	<u>(14,005)</u>	<u>183,704</u>
Property and equipment:					
Land	-	-	180,000	-	180,000
Building and improvements	-	-	7,746,844	-	7,746,844
Furniture and equipment	124,037	-	2,320	-	126,357
Vehicle	34,500	-	-	-	34,500
	<u>158,537</u>	<u>-</u>	<u>7,929,164</u>	<u>-</u>	<u>8,087,701</u>
Less: accumulated depreciation	<u>122,773</u>	<u>-</u>	<u>2,361,615</u>	<u>-</u>	<u>2,484,388</u>
	<u>35,764</u>	<u>-</u>	<u>5,567,549</u>	<u>-</u>	<u>5,603,313</u>
Other assets:					
Restricted deposits and funded reserves	-	-	186,778	-	186,778
Investments in securities - board designated	720,690	-	-	-	720,690
Investments in securities - certificates of deposit	133,107	-	-	-	133,107
Investment in Cogswell, Inc.	2,345,720	-	-	(2,345,720)	-
Investment in Cogswell, LLC	-	2,345,720	-	(2,345,720)	-
Note receivable, Cogswell, LLC	300,000	-	-	(300,000)	-
Loan receivable, Cogswell, LLC	298,676	-	-	(298,676)	-
Interest receivable, Cogswell, LLC	133,171	-	-	(133,171)	-
Deferred charges, net of accumulated amortization	-	-	27,514	-	27,514
	<u>3,931,364</u>	<u>2,345,720</u>	<u>214,292</u>	<u>(5,423,287)</u>	<u>1,068,089</u>
Total assets	<u>\$ 4,115,842</u>	<u>\$ 2,345,720</u>	<u>\$ 5,830,836</u>	<u>\$ (5,437,292)</u>	<u>\$ 6,855,106</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Current portion of equity bridge loan	\$ -	\$ -	\$ 104,686	\$ -	\$ 104,686
Accounts payable	5,520	-	-	-	5,520
Accounts payable, Cogswell Hall, Inc.	-	-	14,005	(14,005)	-
Accrued expense	356	-	-	-	-
Accrued payroll	26,264	-	-	-	26,264
Accrued payroll taxes	2,790	-	-	-	2,790
Accrued interest - note payable	-	-	11,307	-	11,307
Other current liabilities	6,745	-	-	-	6,745
Total current liabilities	<u>41,675</u>	<u>-</u>	<u>129,998</u>	<u>(14,005)</u>	<u>157,668</u>
Long term liabilities:					
Note payable, Cogswell Hall, Inc.	-	-	300,000	(300,000)	-
Loan payable, Cogswell Hall, Inc.	-	-	298,676	(298,676)	-
Equity bridge loan	-	-	215,709	-	215,709
Accrued interest - CHI mortgage	-	-	133,171	(133,171)	-
Total long term liabilities	<u>-</u>	<u>-</u>	<u>947,556</u>	<u>(731,847)</u>	<u>215,709</u>
Total liabilities	<u>41,675</u>	<u>-</u>	<u>1,077,554</u>	<u>(745,852)</u>	<u>373,377</u>
Net assets:					
Unrestricted					
Board designated	720,690	-	-	-	720,690
Undesignated	3,336,385	2,345,720	4,753,282	(7,096,226)	3,339,161
Noncontrolling interest in Cogswell, LLC	-	-	-	2,407,562	2,407,562
Noncontrolling interest in Cogswell, Inc.	-	-	-	(2,776)	(2,776)
Temporarily restricted	17,092	-	-	-	17,092
Total net assets	<u>4,074,167</u>	<u>2,345,720</u>	<u>4,753,282</u>	<u>(4,691,440)</u>	<u>6,481,729</u>
Total liabilities and net assets	<u>\$ 4,115,842</u>	<u>\$ 2,345,720</u>	<u>\$ 5,830,836</u>	<u>\$ (5,437,292)</u>	<u>\$ 6,855,106</u>

see report of independent auditors

COGSWELL HALL, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

	Cogswell Hall, Inc.	Cogswell, Inc.	Cogswell, LLC	Eliminations	Net
Current assets:					
Cash and cash equivalents	\$ 104,066	\$ -	\$ 34,535	\$ -	\$ 138,601
Restricted cash	5,190	-	-	-	5,190
Grants receivable	18,323	-	-	-	18,323
Other receivables	24,731	-	10,832	(23,586)	11,977
Prepaid expenses	20,407	-	4,626	-	25,033
Total current assets	<u>172,717</u>	<u>-</u>	<u>49,993</u>	<u>(23,586)</u>	<u>199,124</u>
Property and equipment:					
Land	-	-	180,000	-	180,000
Building and improvements	-	-	7,746,844	-	7,746,844
Furniture and equipment	124,037	-	2,320	-	126,357
Vehicle	9,560	-	-	-	9,560
	<u>133,597</u>	<u>-</u>	<u>7,929,164</u>	<u>-</u>	<u>8,062,761</u>
Less: accumulated depreciation	<u>131,541</u>	<u>-</u>	<u>2,079,232</u>	<u>-</u>	<u>2,210,773</u>
	<u>2,056</u>	<u>-</u>	<u>5,849,932</u>	<u>-</u>	<u>5,851,988</u>
Other assets:					
Restricted deposits and funded reserves	-	-	193,196	-	193,196
Investments in securities - board designated	678,697	-	-	-	678,697
Investments in securities - certificates of deposit	131,922	-	-	-	131,922
Investment in Cogswell, Inc.	2,346,035	-	-	(2,346,035)	-
Investment in Cogswell, LLC	-	2,346,035	-	(2,346,035)	-
Note receivable, Cogswell, LLC	300,000	-	-	(300,000)	-
Loan receivable, Cogswell, LLC	298,676	-	-	(298,676)	-
Interest receivable, Cogswell, LLC	110,495	-	-	(110,495)	-
Deferred charges, net of accumulated amortization	-	-	31,606	-	31,606
	<u>3,865,825</u>	<u>2,346,035</u>	<u>224,802</u>	<u>(5,401,241)</u>	<u>1,035,421</u>
Total assets	<u>\$ 4,040,598</u>	<u>\$ 2,346,035</u>	<u>\$ 6,124,727</u>	<u>\$ (5,424,827)</u>	<u>\$ 7,086,533</u>

LIABILITIES AND NET ASSETS

Current liabilities:					
Current portion of equity bridge loan	\$ -	\$ -	\$ 102,629	\$ -	\$ 102,629
Accounts payable	10,426	-	-	-	10,426
Accounts payable, Cogswell Hall, Inc.	-	-	23,586	(23,586)	-
Accrued payroll	26,264	-	-	-	26,264
Accrued payroll taxes	6,602	-	-	-	6,602
Accrued interest - note payable	-	-	11,307	-	11,307
Other current liabilities	5,190	-	-	-	5,190
Total current liabilities	<u>48,482</u>	<u>-</u>	<u>137,522</u>	<u>(23,586)</u>	<u>162,418</u>
Long term liabilities:					
Note payable, Cogswell Hall, Inc.	-	-	300,000	(300,000)	-
Loan payable, Cogswell Hall, Inc.	-	-	298,676	(298,676)	-
Equity bridge loan	-	-	320,395	-	320,395
Accrued interest - CHI mortgage	-	-	110,495	(110,495)	-
Total long term liabilities	<u>-</u>	<u>-</u>	<u>1,029,566</u>	<u>(709,171)</u>	<u>320,395</u>
Total liabilities	<u>48,482</u>	<u>-</u>	<u>1,167,088</u>	<u>(732,757)</u>	<u>482,813</u>
Net assets:					
Unrestricted					
Board designated	678,697	-	-	-	678,697
Undesignated	3,308,952	2,346,035	4,957,639	(7,301,077)	3,311,549
Noncontrolling interest in Cogswell, LLC	-	-	-	2,611,604	2,611,604
Noncontrolling interest in Cogswell, Inc.	-	-	-	(2,597)	(2,597)
Temporarily restricted	4,467	-	-	-	4,467
Total net assets	<u>3,992,116</u>	<u>2,346,035</u>	<u>4,957,639</u>	<u>(4,692,070)</u>	<u>6,603,720</u>
Total liabilities and net assets	<u>\$ 4,040,598</u>	<u>\$ 2,346,035</u>	<u>\$ 6,124,727</u>	<u>\$ (5,424,827)</u>	<u>\$ 7,086,533</u>

see report of independent auditors

COGSWELL HALL, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Cogswell Hall, Inc.	Cogswell, Inc.	Cogswell, LLC	Eliminations	Net
Revenue and support:					
Grants and contributions:					
Foundations and trusts	\$ 425,204	\$ -	\$ -	\$ -	\$ 425,204
Government agencies	126,700	-	-	-	126,700
Corporations and individuals	55,175	-	-	-	55,175
Fundraising	50,868	-	-	-	50,868
Total grants and contributions	<u>657,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657,947</u>
Program service revenue:					
Service fees	55,924	-	-	-	55,924
Rental and related	-	-	134,786	-	134,786
Property management	13,106	-	-	(13,106)	-
Property maintenance	34,375	-	-	(34,375)	-
Administration personnel	33,250	-	-	(33,250)	-
Operating subsidy	-	-	66,000	(66,000)	-
Other	21,112	-	-	-	21,112
Total program service revenue	<u>157,767</u>	<u>-</u>	<u>200,786</u>	<u>(146,731)</u>	<u>211,822</u>
Investment revenue:					
Interest and dividends	53,784	-	491	(22,676)	31,599
Unrealized gain on investments	46,491	-	-	-	46,491
Realized loss on investments	(2,092)	-	-	-	(2,092)
Investment in Cogswell, LLC	(315)	-	-	315	-
Investment in Cogswell, Inc.	-	(315)	-	315	-
Total investment revenue	<u>97,868</u>	<u>(315)</u>	<u>491</u>	<u>(22,046)</u>	<u>75,998</u>
Total revenue and support	<u>913,582</u>	<u>(315)</u>	<u>201,277</u>	<u>(168,777)</u>	<u>945,767</u>
Expenses:					
Program services:					
Basic housing services	228,584	-	-	(66,000)	162,584
Facility maintenance services	99,680	-	-	-	99,680
Food and nutrition services	144,374	-	-	-	144,374
Resident services	159,273	-	-	-	159,273
Cogswell, LLC	-	-	516,741	(103,407)	413,334
Support services:					
Fundraising	115,275	-	-	-	115,275
General and administrative	84,345	-	-	-	84,345
Total expense	<u>831,531</u>	<u>-</u>	<u>516,741</u>	<u>(169,407)</u>	<u>1,178,865</u>
Change in net assets	82,051	(315)	(315,464)	630	(233,098)
Change in net assets attributable to Cogswell, LLC noncontrolling interest	-	-	-	315,149	315,149
Change in net assets attributable to Cogswell, Inc. noncontrolling interest	-	-	-	179	179
Change in net assets attributable to Cogswell Hall, Inc.	<u>82,051</u>	<u>(315)</u>	<u>(315,464)</u>	<u>315,958</u>	<u>82,230</u>
Net assets at beginning of year	3,992,116	2,346,035	4,957,639	(4,692,070)	6,603,720
Change in net assets	82,051	(315)	(315,464)	630	(233,098)
Capital contributions	-	-	111,107	-	111,107
Net assets at end of year	<u>\$ 4,074,167</u>	<u>\$ 2,345,720</u>	<u>\$ 4,753,282</u>	<u>\$ (4,691,440)</u>	<u>\$ 6,481,729</u>

COGSWELL HALL, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Cogswell Hall, Inc.	Cogswell, Inc.	Cogswell, LLC	Eliminations	Net
Revenue and support:					
Grants and contributions:					
Foundations and trusts	\$ 357,045	\$ -	\$ -	\$ -	\$ 357,045
Government agencies	127,980	-	-	-	127,980
Corporations and individuals	57,826	-	-	-	57,826
Fundraising	56,234	-	-	-	56,234
Total grants and contributions	<u>599,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>599,085</u>
Program service revenue:					
Service fees	70,528	-	-	-	70,528
Rental and related	-	-	135,451	-	135,451
Property management	13,609	-	-	(13,609)	-
Property maintenance	33,000	-	-	(33,000)	-
Administration personnel	32,000	-	-	(32,000)	-
Operating subsidy	-	-	70,500	(70,500)	-
Other	6,873	-	-	-	6,873
Total program service revenue	<u>156,010</u>	<u>-</u>	<u>205,951</u>	<u>(149,109)</u>	<u>212,852</u>
Investment revenue:					
Interest and dividends	49,160	-	360	(17,859)	31,661
Unrealized gain on investments	39,718	-	-	-	39,718
Investment in Cogswell, LLC	(302)	-	-	302	-
Investment in Cogswell, Inc.	-	(302)	-	302	-
Total investment revenue	<u>88,576</u>	<u>(302)</u>	<u>360</u>	<u>(17,255)</u>	<u>71,379</u>
Total revenue and support	<u>843,671</u>	<u>(302)</u>	<u>206,311</u>	<u>(166,364)</u>	<u>883,316</u>
Expenses:					
Program services:					
Basic housing services	209,471	-	-	(70,500)	138,971
Facility maintenance services	97,519	-	-	-	97,519
Food and nutrition services	128,868	-	-	-	128,868
Resident services	147,261	-	-	-	147,261
Cogswell, LLC	-	-	508,094	(96,468)	411,626
Support services:					
Fundraising	115,322	-	-	-	115,322
General and administrative	72,201	-	-	-	72,201
Total expense	<u>770,642</u>	<u>-</u>	<u>508,094</u>	<u>(166,968)</u>	<u>1,111,768</u>
Change in net assets	73,029	(302)	(301,783)	604	(228,452)
Change in net assets attributable to Cogswell, LLC noncontrolling interest	-	-	-	301,481	301,481
Change in net assets attributable to Cogswell, Inc. noncontrolling interest	-	-	-	154	154
Change in net assets attributable to Cogswell Hall, Inc.	<u>73,029</u>	<u>(302)</u>	<u>(301,783)</u>	<u>302,239</u>	<u>73,183</u>
Net assets at beginning of year	3,919,087	2,346,337	5,148,315	(4,692,674)	6,721,065
Change in net assets	73,029	(302)	(301,783)	604	(228,452)
Capital contributions	-	-	111,107	-	111,107
Net assets at end of year	<u>\$ 3,992,116</u>	<u>\$ 2,346,035</u>	<u>\$ 4,957,639</u>	<u>\$ (4,692,070)</u>	<u>\$ 6,603,720</u>

COGSWELL HALL, INC. AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

EXPENSES	Program Services					Support		Totals
	Basic Housing Services	Facility Maintenance Services	Food and Nutrition Services	Resident Services	Cogswell, LLC	Fundraising	General and Administrative	
Salaries and wages	\$ 83,452	\$ 78,651	\$ 83,923	\$ 119,376	\$ -	\$ 80,312	\$ 47,670	\$ 493,384
Bonuses	100	300	300	500	-	200	200	1,600
Taxes - social security & Medicare	6,212	6,008	6,351	9,331	-	6,152	3,690	37,744
Taxes - unemployment	570	573	834	1,103	-	536	233	3,849
Taxes - workers compensation	491	1,252	1,140	5,119	-	-	177	8,179
Security contract	23,569	-	-	-	22,746	-	-	46,315
Recruiting	-	-	25	-	-	-	-	25
Payroll services	-	-	-	-	-	-	873	873
Total payroll costs	114,394	86,784	92,573	135,429	22,746	87,200	52,843	591,969
Marketing & fund development	-	-	-	-	-	1,497	-	1,497
Printing	-	-	-	-	-	3,610	-	3,610
Accounting & audit	80	-	-	-	7,543	-	9,035	16,658
Legal & other professional	8,162	-	-	6,784	-	5,147	15,585	35,678
Office supplies	1,850	79	39	240	-	688	1,320	4,216
Seminars & education	1,461	-	-	56	375	42	211	2,145
Dues & subscriptions	425	-	100	-	-	2,353	492	3,370
Postage & delivery	167	-	-	2	-	893	50	1,112
PayPal/square service fees	-	-	-	-	-	538	-	538
Bank service charges	-	-	-	-	-	-	167	167
Commission fees	-	-	-	-	-	-	1,701	1,701
Board expenses	-	-	-	-	-	-	417	417
Travel reimbursement	1,136	61	482	1,098	-	12	54	2,843
Asset management fee	-	-	-	-	4,920	-	-	4,920
EBL Annual Fee	-	-	-	-	1,000	-	-	1,000
Total administration expenses	13,281	140	621	8,180	13,838	14,780	29,032	79,872
Food	779	-	40,646	-	-	-	-	41,425
Vending machine products	-	-	2,589	-	-	-	-	2,589
Kitchen supplies	-	-	4,084	-	-	-	-	4,084
Kitchen equipment	-	-	1,033	-	-	-	-	1,033
Total kitchen operations	779	-	48,352	-	-	-	-	49,131
Electricity	18,311	-	-	-	10,946	-	-	29,257
Natural gas	2,017	-	-	-	8,510	-	-	10,527
Water and sewer	-	-	-	-	24,781	-	-	24,781
Telephone	1,468	-	-	865	-	1,204	1,178	4,715
Cable television	406	-	-	783	-	391	393	1,973
Total utilities	22,202	-	-	1,648	44,237	1,595	1,571	71,253
Maintenance & repair	-	8,502	1,472	29	16,867	-	-	26,870
House supplies	-	1,640	-	1,999	3,528	-	-	7,167
Small tools/furniture/equipment	827	-	1,107	868	4,250	-	-	7,052
Yard/trash/snow	-	2,614	-	-	2,808	-	-	5,422
Total operating and maintenance	827	12,756	2,579	2,896	27,453	-	-	46,511
Resident's programs	-	-	-	2,069	-	-	-	2,069
Cogsmart - program incentives	-	-	-	7,399	-	-	-	7,399
Total resident services	-	-	-	9,468	-	-	-	9,468
Licenses, fees, permits	350	-	249	-	1,435	-	25	2,059
Interest	-	-	-	-	8,478	-	-	8,478
Insurance	10,751	-	-	1,652	8,672	-	-	21,075
Foreign income tax	-	-	-	-	-	-	82	82
Total taxes, insurance, and interest	11,101	-	249	1,652	18,585	-	107	31,694
Event rentals	-	-	-	-	-	1,241	-	1,241
Venues	-	-	-	-	-	1,199	-	1,199
Entertainment	-	-	-	-	-	7,660	-	7,660
Event food and beverage	-	-	-	-	-	600	-	600
Raffle expense	-	-	-	-	-	1,000	-	1,000
Total fund development	-	-	-	-	-	11,700	-	11,700
Depreciation and amortization	-	-	-	-	286,475	-	792	287,267
Total expenses	\$ 162,584	\$ 99,680	\$ 144,374	\$ 159,273	\$ 413,334	\$ 115,275	\$ 84,345	\$ 1,178,865

see report of independent auditors

COGSWELL HALL, INC. AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

EXPENSES	Program Services					Support		Totals
	Basic Housing Services	Facility Maintenance Services	Food and Nutrition Services	Resident Services	Cogswell, LLC	Fundraising	General and Administrative	
Salaries and wages	\$ 72,505	\$ 77,744	\$ 80,457	\$ 114,170	\$ -	\$ 75,170	\$ 50,520	\$ 470,566
Bonuses	200	200	300	700	-	200	100	1,700
Taxes - social security & Medicare	5,715	5,947	6,244	8,493	-	5,736	3,865	36,000
Taxes - unemployment	503	641	710	786	-	343	325	3,308
Taxes - workers compensation	918	1,292	1,262	5,652	-	-	424	9,548
Security contract	23,246	-	-	-	23,041	-	-	46,287
Labor contract	-	-	-	4,100	-	500	-	4,600
Recruiting	-	25	75	140	-	-	-	240
Payroll services	-	-	-	-	-	-	807	807
Total payroll costs	103,087	85,849	89,048	134,041	23,041	81,949	56,041	573,056
Marketing & fund development	-	-	-	-	-	1,493	-	1,493
Printing	-	-	-	-	-	1,965	-	1,965
Accounting & audit	-	-	-	-	7,200	-	8,367	15,567
Legal & other professional	-	-	-	-	-	4,743	-	4,743
Office supplies	1,241	95	-	159	-	1,176	2,971	5,642
Seminars & education	1,396	-	-	20	-	40	220	1,676
Dues & subscriptions	597	-	-	-	-	2,763	519	3,879
Postage & delivery	154	-	-	-	-	1,215	175	1,544
PayPal/square service fees	-	-	-	-	-	562	-	562
Bank service charges	-	-	-	-	124	-	-	124
Board expenses	-	-	-	-	-	-	194	194
Commission fees	-	-	-	-	-	-	26	26
Travel reimbursement	786	27	146	1,130	-	232	33	2,354
Asset management fee	-	-	-	-	4,776	-	-	4,776
EBL Annual Fee	-	-	-	-	1,000	-	-	1,000
Total administration expenses	4,174	122	146	1,309	13,100	14,189	12,505	45,545
Food	-	-	31,806	-	-	-	-	31,806
Vending machine products	-	-	2,593	-	-	-	-	2,593
Kitchen supplies	-	-	3,553	-	-	-	-	3,553
Kitchen equipment	-	-	406	-	-	-	-	406
Total kitchen operations	-	-	38,358	-	-	-	-	38,358
Electricity	18,668	-	-	-	13,027	-	-	31,695
Natural gas	2,519	-	-	-	7,774	-	-	10,293
Water and sewer	-	-	-	-	26,800	-	-	26,800
Telephone	1,730	-	-	1,414	-	1,182	1,127	5,453
Cable television	-	-	-	455	-	35	35	525
Total utilities	22,917	-	-	1,869	47,601	1,217	1,162	74,766
Maintenance & repair	-	8,605	1,002	386	19,075	-	-	29,068
House supplies	15	1,090	-	1,424	1,035	-	-	3,564
Small tools/furniture/equipment	607	546	-	1,098	732	878	1,746	5,607
Yard/trash/snow	-	1,307	-	-	1,304	-	-	2,611
Total operating and maintenance	622	11,548	1,002	2,908	22,146	878	1,746	40,850
Resident's programs	-	-	-	1,023	-	-	-	1,023
Cogsmart - program incentives	-	-	-	5,147	-	-	-	5,147
Total resident services	-	-	-	6,170	-	-	-	6,170
Licenses, fees, permits	-	-	314	135	150	-	225	824
Interest	-	-	-	-	10,494	-	-	10,494
Insurance	8,171	-	-	-	6,946	-	-	15,117
Total taxes, insurance, and interest	8,171	-	314	135	17,590	-	225	26,435
Miscellaneous Expense	-	-	-	829	-	-	(270)	559
Event rentals	-	-	-	-	-	1,300	-	1,300
Venues	-	-	-	-	-	4,425	-	4,425
Entertainment	-	-	-	-	-	9,387	-	9,387
Event food and beverage	-	-	-	-	-	1,099	-	1,099
Event supplies	-	-	-	-	-	878	-	878
Total fund development	-	-	-	-	-	17,089	-	17,089
Depreciation and amortization	-	-	-	-	288,148	-	792	288,940
Total expenses	\$ 138,971	\$ 97,519	\$ 128,868	\$ 147,261	\$ 411,626	\$ 115,322	\$ 72,201	\$ 1,111,768

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