Rural Neighborhoods, Inc. and Its Affiliates

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

December 31, 2014 and 2013

Rural Neighborhoods, Inc. and Its Affiliates

Index

Independent Auditor's Report

To the Board of Directors
Rural Neighborhoods, Inc. and Its Affiliates

We have audited the accompanying consolidated financial statements of Rural Neighborhoods, Inc. and Its Affiliates (a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, 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 Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rural Neighborhoods, Inc. and Its Affiliates as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 47 through 53 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CohnReznick LLP

Atlanta, Georgia
May 15, 2015

Rural Neighborhoods, Inc. and Its Affiliates

Consolidated Statements of Financial Position
December 31, 2014 and 2013

Assets

	2014	2013
Current assets		
Cash	$ 5,396,426	$ 5,779,112
Accounts receivable - tenants	129,964	29,708
Miscellaneous receivables	303,360	237,874
Rental assistance receivables	261,404	315,772
Grant receivables	82,887	124,904
Due from affiliates	12,485	45,868
Notes receivable - affiliates	30,000	60,000
Prepaid expenses	421,920	446,854
Total current assets	6,638,446	7,040,092
Deposits and reserves		
Tenants' security deposits	542,098	486,681
Mortgage escrows	645,939	655,109
Replacement reserves	5,526,046	4,927,841
Debt service reserves	730,808	583,155
Operating reserves	944,304	942,424
Other deposits	125,081	123,782
Total deposits and reserves	8,514,276	7,718,992
Land	9,308,405	9,164,405
Land improvements	9,464,952	9,462,140
Buildings and improvements	133,983,028	133,720,515
Furniture and equipment	4,472,222	4,461,331
Construction in progress	3,725,962	2,357,356
Total rental property	160,954,569	159,165,747
Less accumulated depreciation	(35,155,057)	(30,749,965)
Net rental property	125,799,512	128,415,782
Other assets		
Deferred loan costs, net	463,213	505,431
Tax credit monitoring fees, net	511,758	567,288
Other assets	258,467	524,693
Total other assets	1,233,438	1,597,412
Total assets	$ 142,185,672	$ 144,772,278

Rural Neighborhoods, Inc. and Its Affiliates

Consolidated Statements of Financial Position
December 31, 2014 and 2013

Liabilities and Net Assets

	2014	2013
Current liabilities		
Accounts payable	$ 191,489	$ 165,595
Accrued expenses	471,578	419,892
Accrued interest payable	426,669	375,731
Accrued investor services management fee	5,970	5,796
Construction costs payable	930,536	898,934
Current portion of mortgages payable	2,598,770	2,669,570
Total current liabilities	4,625,012	4,535,518
Deposits and prepayments		
Tenant security deposits	527,598	486,181
Prepaid rents	64,581	49,009
Total deposits and prepayments	592,179	535,190
Long-term liabilities		
Due to affiliates	240,577	517,511
Developer fee payable	2,140,009	2,324,239
Deferred revenue - loan forgiveness	3,819,456	2,864,592
Mortgages payable, net of current portion	66,409,041	69,063,347
Total long-term liabilities	72,609,083	74,769,689
Commitments and contingencies	2,000,000	-
Non-controlling interest in subsidiaries	19,950,824	21,643,059
Unrestricted net assets	41,721,874	42,877,122
Permanently restricted net assets	686,700	411,700
Total net assets	42,408,574	43,288,822
Total liabilities and net assets	$ 142,185,672	$ 144,772,278

See Notes to Consolidated Financial Statements.

Rural Neighborhoods, Inc. and Its Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2014

	Unrestricted	Permanently Restricted	Total
Rental revenue			
Potential rental revenue	$ 10,191,258	$ -	$ 10,191,258
Less: Vacancies and concessions	(565,941)	-	(565,941)
Total rental revenue	9,625,317	-	9,625,317
Application fees	31,227	-	31,227
Laundry and vending	180,989	-	180,989
Interest income	81,685	-	81,685
Interest income - related party	-	-	-
Tenant charges	231,233	-	231,233
Property management fees	40,000	-	40,000
Income from forgiveness of debt	704,169	-	704,169
Grant revenue	1,050,928	275,000	1,325,928
Miscellaneous revenue	683,196	-	683,196
Total other revenue	3,003,427	275,000	3,278,427
Expenses			
Operating and maintenance	2,767,639	-	2,767,639
Utilities	916,373	-	916,373
Project administration expenses	5,164,824	-	5,164,824
Management fees	142,754	-	142,754
Taxes and insurance	1,184,998	-	1,184,998
Bad debt expense	67,646	-	67,646
Interest on deferred developer fee	37,786	-	37,786
Interest on mortgages payable	624,392	-	624,392
Total expenses	10,906,412	-	10,906,412
Income from operations	1,722,332	275,000	1,997,332
Non-operating expenses			
Investor services management fee	5,970	-	5,970
Depreciation expense	4,455,397	-	4,455,397
Amortization expense	97,748	-	97,748
Total non-operating expenses	4,559,115	-	4,559,115
Change in net assets before non-controlling interest	(2,836,783)	275,000	(2,561,783)
Non-controlling interest in earnings of subsidiaries	1,692,235	-	1,692,235
Change in net assets	$ (1,144,548)	$ 275,000	$ (869,548)

See Notes to Consolidated Financial Statements.

Rural Neighborhoods, Inc. and Its Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2013

	Unrestricted	Permanently Restricted	Total
Rental revenue			
Potential rental revenue	$ 10,086,765	$ -	$ 10,086,765
Less: Vacancies and concessions	(660,932)	-	(660,932)
Total rental revenue	9,425,833	-	9,425,833
Other revenue			
Application fees	33,631	-	33,631
Laundry and vending	176,252	-	176,252
Interest income	75,513	-	75,513
Tenant charges	205,435	-	205,435
Income from forgiveness of debt	722,919	-	722,919
Grant revenue	116,817	275,000	391,817
Miscellaneous revenue	609,899	-	609,899
Total other revenue	1,940,466	275,000	2,215,466
Expenses			
Operating and maintenance	2,611,509	-	2,611,509
Utilities	859,447	-	859,447
Project administration expenses	2,675,832	-	2,675,832
Management fees	140,531	-	140,531
Taxes and insurance	1,197,531	-	1,197,531
Bad debt expense	45,909	-	45,909
Interest on deferred developer fee	36,531	-	36,531
Interest on mortgages payable	640,005	-	640,005
Total expenses	8,207,295	-	8,207,295
Income from operations	3,159,004	275,000	3,434,004
Non-operating expenses			
Investor services management fee	17,214	-	17,214
Loss on project development	162	-	162
Depreciation expense	4,482,160	-	4,482,160
Amortization expense	97,747	-	97,747
Total non-operating expenses	4,597,283	-	4,597,283
Change in net assets before non-controlling interest	(1,438,279)	275,000	(1,163,279)
Non-controlling interest in earnings of subsidiaries	819,583	-	819,583
Change in net assets	$ (618,696)	$ 275,000	$ (343,696)

See Notes to Consolidated Financial Statements.

Rural Neighborhoods, Inc. and Its Affiliates

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2014 and 2013

	Unrestricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Balance, December 31, 2012	$ 43,598,836	$ 136,700	$ 43,735,536
Forgiveness of related party debt	(103,018)	-	(103,018)
Change in net assets	(618,696)	275,000	(343,696)
Balance, December 31, 2013	42,877,122	411,700	43,288,822
Distributions	(10,700)	-	(10,700)
Change in net assets	(1,144,548)	275,000	(869,548)
Balance, December 31, 2014	$ 41,721,874	$ 686,700	$ 42,408,574

See Notes to Consolidated Financial Statements.

Rural Neighborhoods, Inc. and Its Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ (869,548)	$ (343,696)
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	4,455,397	4,482,160
Amortization	97,748	97,747
Gain on disposal of fixed assets	(17,565)	(1,600)
Loss on disposal of fixed assets	-	2,870
Non-controlling interest in earnings of subsidiaries	(1,692,235)	(819,583)
Deferred revenue - loan forgiveness	(704,169)	(722,919)
Accrued legal expenses	2,000,000	-
Interest charged to construction costs payable	10,675	-
Changes in:		
Tenant accounts receivable	(100,256)	38,048
Rental assistance receivables	54,368	(315,772)
Miscellaneous receivables	(65,486)	(41,708)
Grant receivables	42,017	(124,904)
Prepaid expenses	24,934	(17,217)
Tenant security deposits, net	(14,000)	(500)
Accounts payable	(44,139)	(8,044)
Accrued expenses	51,686	17,854
Accrued interest payable	50,938	66,001
Accrued investor services management fee	174	168
Due from affiliates	63,383	(21,128)
Other assets	264,927	(404,958)
Prepaid rents	15,572	18,464
Net cash provided by operating activities	3,624,421	1,901,283
Cash flows from investing activities		
Investments in rental property	(1,773,103)	(1,501,974)
Proceeds from sale of fixed assets	22,500	1,600
Deposits to mortgage escrows, net	9,170	(91,740)
Deposits to replacement reserves, net	(598,205)	(329,267)
Withdrawals from (deposits to) debt service reserves, net	(147,653)	199,729
Deposits to operating reserves, net	(1,880)	(2,318)
Other deposits	-	688
Net cash used in investing activities	(2,489,171)	(1,723,282)

Rural Neighborhoods, Inc. and Its Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from financing activities		
Proceeds from mortgages and notes payable	$ -	$ 1,173,118
Principal payments on mortgage notes	(1,066,073)	(1,104,365)
Payments on developer fee	(164,230)	(2,172)
Non-controlling interest capital distributions	(10,699)	-
Advances from affiliates	(276,934)	349,507
Net cash (used in) provided by financing activities	(1,517,936)	416,088
Net (decrease) increase in cash	(382,686)	594,089
Cash, beginning	5,779,112	5,185,023
Cash, ending	$ 5,396,426	$ 5,779,112
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of capitalized interest of $56,514 and $10,264, respectively)	$ 611,240	$ 610,535
Supplemental disclosures of noncash investing and financing activities:		
Investment in rental property	$ (265,324)	$ (148,838)
Write-off of rental property	50,305	84,223
Write-off of accumulated depreciation	(50,305)	(84,223)
Construction costs payable	20,927	139,071
Developer fee payable	(20,000)	-
Construction in progress	194,364	-
Devaluation of fixed assets	-	103,018
Forgiveness of related party debt	-	(103,018)
Accounts payable	70,033	9,767
Forgiveness on TCEP loan	(1,527,783)	(1,527,783)
Deferred revenue - loan forgiveness	1,527,783	1,527,783
	$ -	$ -

See Notes to Consolidated Financial Statements.

Note 1 - Organization and nature of operations

Organization

Rural Neighborhoods, Inc. (RNI) is a Florida nonprofit corporation formed on December 23, 2004 for the purpose of planning, acquiring land, producing, developing and managing construction of projects and sites remaining in the Everglades Farmworker Village parcels and elsewhere. On December 31, 2004, Everglades Community Association, Inc. (ECA) transferred its unrestricted assets and liabilities to RNI to enable it to carry out the above tasks excluding any and all U.S. Department of Agriculture (USDA) restricted assets and liabilities associated with Everglades Farmworker Village.

Consolidation

The accompanying consolidated financial statements include the accounts of RNI and its affiliates (collectively, the Corporation). All significant intercompany accounts and transactions have been eliminated in this consolidation.

Investment in subsidiaries

Beginning January 1, 2006, the Corporation adopted the Accounts Standards Codification Topic 958-810 (ASC Topic 958-810), which provides guidance as to when a general partner controls a limited partnership and is required to include the assets, liabilities and activities of a limited partnership in its financial statements.

Under ASC Topic 958-810, a general partner in a limited partnership or similar entity would be presumed to control that entity and would therefore be required to consolidate the entity unless the limited partners possessed certain rights, principally kick-out rights or significant participation rights. ASC Topic 958-810 applies to entities that are not considered variable interest entities. Management believes that ECA and Big Cypress Housing Corporation (BCHC) effectively have control of certain limited partnerships and these partnerships were consolidated in the separately issued financial statements of ECA and BCHC.

ECA is a Florida nonprofit corporation formed on July 21, 1982 for the purpose of planning, producing, developing and managing the construction of projects related to providing low cost housing to migrant and seasonal farm workers in Florida. ECA is a controlled corporation of RNI.

ECA includes the following programs and services:

> Everglades Farmworker Village (EFV) is a rental operation of ECA and consists of a USDA Rural Development 514/516 farm labor housing complex as described in USDA Handbook 2-3560, Section 2.6. The complex includes two phases, the Everglades Village and Metro Dade Farm Labor (MDFL) properties. Currently, there are 448 units rented to eligible tenants as defined in the regulations. The USDA also provides rental assistance to tenants based on a formula described in Chapter 8 of the USDA Handbook 2-3560.

Phase IV (Phase IV) is an additional phase of EFV that is currently in pre-development. When constructed, Phase IV will consist of 18 units that will be rented to income eligible migrant and seasonal workers as defined by the state of Florida and the USDA. The project was funded by the USDA and is subject to USDA oversight and regulations.

Phase V (Phase V) is an additional phase of EFV that is currently in pre-development. When constructed, Phase V will consist of 14 units that will be rented to income eligible migrant and seasonal farm workers as defined by the State of Florida and the USDA. The project was funded by the USDA and is subject to USDA oversight and regulations.

Phase VI (Phase VI) is an additional phase of EFV that is currently in pre-development.

Everglades Rural Rental Housing (ERRH) is Phase III of EFV and consists of a USDA Rural Development 515 housing complex as described in USDA Handbook 2-3560, Section 2.3. Currently, there are 15 units rented to eligible tenants as defined in the regulations. The USDA also provides rental assistance to tenants based on a formula described in Chapter 8 of the USDA Handbook 2-3560.

Casa Cesar Chavez (CCC) is an additional phase of EFV and consists of two mobile home units and a 28 unit, 144 bed, four building, townhome complex designed to house unaccompanied single workers. The units are rented to income eligible migrant and seasonal farm workers as defined by the State of Florida. The mobile home units are located on land financed by the USDA but are not subject to 514/516 regulations. This project was not constructed with USDA funds and is not subject to USDA oversight or regulation.

Everglades Migrant Housing (EMH), formerly known as Phase III B, is an additional phase of EFV that consists of 30 units that are rented to income eligible migrant and seasonal farm workers as defined by the State of Florida and the USDA. The project is funded by the USDA and is subject to USDA oversight and regulations.

ECA also includes the activities of the following subsidiaries:

Live Oak Villas, LLC (LOVI), a wholly owned subsidiary of ECA, is a .01 percent general partner of Live Oak Villas, Ltd. (LOVI-LTD). LOVI-LTD is the owner of a 104 unit, low-income housing tax credit project located in St. Lucie County, Florida. LOVI accounts for its investment in LOVI-LTD in accordance with ASC Topic 958-810.

Live Oak Villas II, LLC (LOVII), a wholly owned subsidiary of ECA, is a .01 percent general partner of Live Oak Villas II, Ltd. (LOVII-LTD). LOVII-LTD is the owner of an 80 unit, low-income housing tax credit project located in St. Lucie County, Florida. LOVII accounts for its investment in LOVII-LTD in accordance with ASC Topic 958-810.

Pollywog Creek, LLC (PC) is a wholly owned subsidiary of ECA formed to develop a 64 unit, low-income rental housing community in LaBelle, Florida. The project was designed in three phases. During 2012, phase III was incorporated as a separate legal entity, Pollywog Creek Senior Housing, Incorporated (PCSH). In 2012, the assets and liabilities associated with phase III were transferred from ECA to PCSH. Phases I and II are USDA Rural Development 514/516 farm labor housing complexes subject to USDA Rural Development farm labor housing requirements and the regulations of the Florida Housing Finance Corporation (FHFC) State Apartment Incentive Loan (SAIL) Program. Phases I and II were placed in service on May 6, 2011.

Shannon's Crossing, LLC (SCL) is a wholly owned subsidiary of ECA. SCL is the sole member of Beneficial Oaks at Shannon's Crossing, LLC, which is the .01 percent general partner of Oaks at Shannon's Crossing, LP (OSC). OSC is the owner of a 100 unit, low-income housing tax credit project with farm worker set-aside in Okeechobee, Florida. SCL accounts for its investment in OSC in accordance with ASC Topic 958-810.

Everglades Supportive Housing, LLC (ESH) is a Florida limited liability company owned by ECA. Prior to 2009, ESH was co-owned by ECA and RNI. ESH is the owner of a four-unit housing project for homeless families in Collier County, Florida. The project is Phase II of the Eden Gardens Apartments (EGA) project and was placed in service on September 28, 2009. The project was constructed on land financed by the USDA but is not subject to 514/516 regulations.

BCHC is a Florida nonprofit corporation formed on January 2, 2001 for the purpose of general operations, construction, expansion or any other activity connected with providing low cost housing to migrant and seasonal farm workers in Collier County, Florida. BCHC is a controlled corporation of RNI.

BCHC includes the following programs and services:

Main Street Village (MSV) is a rental operation of BCHC and includes a 79 unit, USDA Rural Development 514/516 farm labor housing complex as described in the USDA Handbook 2-3560, Section 2.6. Units are rented to eligible tenants as defined in the regulations. The USDA also provides rental assistance to tenants based on a formula described in Chapter 8 of the USDA Handbook 2-3560. A maximum of 68 units may receive rental assistance at any one time.

BCHC also includes the activities of the following subsidiaries:

Corkscrew Sanctuary, LLC (CSS), a wholly owned subsidiary of BCHC, is a .01 percent general partner of Eden Gardens Apartments, LP (EGALP), owner of a 51 unit, low-income housing tax credit project that is the first phase of the EGA project (Phase I). Phase I was placed in service on June 18, 2009. CSS accounts for its investment in EGALP in accordance with ASC Topic 958-810.

Eden Gardens II, LLC (EGII), a wholly owned subsidiary of BCHC, is the sole owner of a 37 unit, low-income housing project, for migrant and seasonal farm workers that are the third phase of the EGA project (Phase III). Phase III was placed in service on September 28, 2009 and its units are rented to low-income farm workers subject to USDA governance and regulations of the FHFC SAIL Program.

Hatchers Preserve, LLC (HP), a wholly owned subsidiary of BCHC, is currently in pre-development.

Little Manatee Housing Corporation (LMHC) is a Florida nonprofit corporation formed on November 19, 1999 for the purpose of general operations, construction, expansion or any other activity connected with providing low cost housing to migrant and seasonal farm workers in Hillsborough County, Florida. LMHC is a controlled corporation of RNI.

LMHC includes the following programs and services:

Manatee Village (MV) is the rental operations of LMHC and consists of the following:

The Family Units - a 62-unit United States Department of Agriculture (USDA) Rural Development 514/516 farm labor housing complex as described in the USDA Handbook 2-3560, Section 2.6. Units are rented to eligible tenants as defined in the regulations. The USDA also provides rental assistance to tenants based on a formula described in Chapter 8 of the USDA Handbook 2-3560. A maximum of 51 units may receive rental assistance at any one time.

The Dorm Units - a 16-unit Single Resident Occupancy rental complex consisting of 128 beds and one management unit. The administrative building associated with the Dorm Units contains the leasing office and maintenance operations space for the Project. The Dorm Units leases to unaccompanied, income-eligible migrant and seasonal farm workers as defined by Hillsborough County, the Federal Home Loan Bank of Atlanta and the Florida Department of Community Affairs.

Manatee Village Phase IV (MV4) - a 27-unit USDA Rural Development 514/516 farm labor housing complex subject to USDA Rural Development 514/516 farm labor housing requirements and the regulations of the FHFC SAIL Program. MV4 was placed in service on November 30, 2010.

Pollywog Creek Senior Housing, Incorporated (PCSH) is a Florida nonprofit corporation formed on March 22, 2012 for the purpose of providing elderly persons and handicapped persons with housing facilities and services. The project will be financed using a loan from the Department of Housing and Urban Development (HUD). The project was phase III of PC and is currently in pre-development.

Everglades Hammock, Inc. is a Florida nonprofit corporation formed on July 12, 1999 for the purpose of general operations, construction, expansion or any other activity connected with providing low cost housing to migrant and seasonal farm workers and other minorities in Florida City, Florida and rural Miami-Dade County, Florida. In 2008, Everglades Hammock, Inc. changed its name to Everglades Housing Trust, Incorporated (EHT). EHT is a controlled corporation of RNI.

EHT includes the activities of seven subsidiaries:

Orchid Apartments, LLC (OA), a wholly owned subsidiary of EHT, is a 0.0067 percent general partner of Orchid Grove Apartments, Ltd. (OGA-LTD), owner of an 80 unit low-income housing project in Florida City, Florida. Construction of the project started in 2010; and the project was placed-in-service on December 29, 2010. Its units are rented in accordance with the rules and regulations of the FHFC tax credit exchange fund program. OA accounts for its investment in OGA-LTD in accordance with ASC Topic 958-810.

Cypress Cove, LLC (CC), a wholly owned subsidiary of EHT, is a 0.0067 percent general partner of Cypress Cove Apartments, Ltd. (CCA-LTD), owner of an 80 unit low-income housing project in Winterhaven, Florida. Construction of the project started in 2010; and the project was placed-in-service on December 23, 2010. Its units are rented in accordance with the rules and regulations of the FHFC tax credit exchange fund program. CC accounts for its investment in CCA-LTD in accordance with ASC Topic 958-810.

Oak Marsh, LLC (OM), a subsidiary wholly owned by EHT and was formed to help enable EHT to carry out its purpose. As of December 31, 2014 and 2013, OM had no activity to report.

Everglades Healthcare Residential, LLC (EHR), a subsidiary wholly owned by EHT, was formed to help enable EHT to carry out its purpose. As of December 31, 2014 and 2013, EHR had no activity to report.

Everglades Urban Residential, LLC (EUR), a subsidiary wholly owned by EHT, was formed to help enable EHT to carry out its purpose. As of December 31, 2014 and 2013, EUR had no activity to report.

Everglades Brookwood Residential, LLC (EBR), a subsidiary wholly owned by EHT, was formed to help enable EHT to carry out its purpose. As of December 31, 2014 and 2013, EBR had no activity to report.

Brookwood Residential, LLC (BR), a subsidiary wholly owned by EHT, was formed to help enable EHT to carry out its purpose. As of December 31, 2014 and 2013, BR had no activity to report.

Everglades Housing Group, Incorporated (EHG) is a Florida nonprofit corporation formed on December 23, 2004 to provide property management and supportive services to the low-income housing projects of RNI, ECA, BCHC, LMHC and their affiliated organizations. Prior to EHG's inception, RNI and ECA self-managed their related properties. The Board of Directors of RNI constitutes the members of EHG and as members, appoints EHG's Board of Directors.

Operating cash flows generating from USDA Rural Development financed properties are not available for distribution to the Corporation as owner of the real property. These operating cash flows must be utilized towards operations or reserves of the specific USDA Rural Development funded property.

Note 2 - Summary of significant accounting policies

Basis of accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Tenant accounts receivable

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.

Investment in rental property

Investments in rental property are recorded at cost. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Construction in progress includes all pre-development and development costs and capitalized interest incurred on the construction of the various projects. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related cost and accumulated depreciation. The resulting gains and losses are reflected on the consolidated statements of activities.

Depreciation expense for the years ended December 31, 2014 and 2013 was $4,455,397 and $4,482,160, respectively.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	40 years
Land improvements	15 - 20 years
Furniture and equipment	3 - 10 years

Impairment of long-lived assets

In accordance with accounting guidance regarding the impairment or disposal of long-lived assets, the Corporation evaluates the impairment of long-lived assets, including construction and development projects, based on the projection of undiscounted cash flows whenever events or changes in circumstances indicate the carrying amounts of such assets may not be recoverable. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair values. No asset impairment losses were recognized during 2014 or 2013.

Deferred fees and amortization

Deferred loan fees of $781,276 and $781,276 at December 31, 2014 and 2013, respectively, are amortized over the term of the related loans using a method that approximates the effective yield method, which is required under accounting principles generally accepted in the United States of America. As of December 31, 2014 and 2013, accumulated amortization of the deferred loan fees was $318,063 and $275,845, respectively.

Tax credit monitoring fees of $830,925 and $830,925 at December 31, 2014 and 2013, respectively, are amortized using the straight-line method over the 15-year tax credit compliance period. As of December 31, 2014 and 2013, accumulated amortization of the tax credit monitoring fees was $319,167 and $263,637, respectively.

For the years ended December 31, 2014 and 2013, amortization expense was $97,748 and $97,747, respectively. Estimated amortization expense for each of the five ensuing years is approximately $97,747.

Rental revenue

Rental revenue is recognized as the rents become due. Rental payments received in advance are deferred until earned. All leases between the Corporation and its tenants are operating leases.

For the year ended December 31, 2014, total rental revenue was $9,625,317 and is included in rental income on the accompanying consolidated statement of activities. This amount consisted of $6,436,961 from tenants and $3,188,356 from USDA rental assistance.

For the year ended December 31, 2013, total rental revenue was $9,425,833 and is included in rental income on the accompanying consolidated statement of activities. This amount consisted of $6,130,639 from tenants and $3,295,194 from USDA rental assistance.

As of December 31, 2014 and 2013, rental assistance payments of $261,404 and $315,772, respectively, were due from the USDA and are reflected as rental assistance receivables on the accompanying consolidated statements of financial position.

Miscellaneous revenue

Miscellaneous revenues include amounts earned from miscellaneous tenant charges such as late fees, security deposit forfeitures and damages assessments, among others.

Grants

The Corporation receives grants from various governmental agencies. Generally, the Corporation recognizes income from these grants as revenue and support only to the extent that expenditures have been made for the purposes specified in the grant agreements. For the years ended December 31, 2014 and 2013, the Corporation received and recognized grant revenues of $1,600,928 and $774,734, respectively, which includes $275,000 and $275,000 of permanently restricted capital grant funds received, respectively.

These permanently restricted capital grant funds are to be used for the purposes specified in the grant agreement. The grant agreements contain various covenants and compliance requirements. As of December 31, 2014 and 2013, management believes they have fulfilled all covenants and compliance requirements.

Advertising costs

The Corporation's policy is to expense advertising costs when incurred.

Compensated absences

Employees of the Corporation are entitled to paid vacation, paid sick days and personal days off. The Corporation's policy is to accrue the costs of compensated absences in the period that the employee becomes entitled to the compensated absences. As of December 31, 2014 and 2013, accrued absences totaled $77,182 and $71,602, respectively, which are included in accrued expenses on the accompanying consolidated statements of financial position.

Income taxes

The Corporation has applied for and received a determination letter from the Internal Revenue Service (IRS) to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2014 and 2013. Due to its tax-exempt status, the Corporation is not subject to income taxes. The Corporation is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Corporation has no other tax positions which must be considered for disclosure. Income tax returns filed by the Corporation are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2011 remain open.

Tax credit exchange funds

Tax credit exchange funds are accounted for as a government grant related to assets. Upon receipt, exchange funds are recorded as deferred liabilities and recognized as income over the life of the related assets.

Forgiveness of tax credit exchange loans

The Corporation recognizes forgiveness of tax credit exchange loans based on the specific terms of forgiveness set forth in the loan documents. The terms of the Corporation's tax credit exchange loan provide for forgiveness based on terms that are contingent and are not recognized until such contingencies are resolved. All amounts of the loan for which forgiveness is recognized are considered tax credit exchange funds and accounted for as a government grant related to assets.

Capitalization of interest
In accordance with accounting principles generally accepted in the United States, interest incurred during the project development period is capitalized as part of the cost of development. For the years ended December 31, 2014 and 2013, the Corporation capitalized interest costs of $56,514 and $10,264, respectively.

Non-controlling interest in limited partnerships
This amount represents the aggregate balance of limited partner and investor limited partner interests in the non-wholly owned limited partnerships that are included in the accompanying consolidated financial statements.

Fair value of financial instruments
The Corporation's financial instruments consist of cash, amounts due from affiliates, short-term accounts payable, accrued expenses and debt. The carrying value of these financial instruments approximates fair value due to the short-term nature of these items.

Risk management
The Corporation is exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; material disasters; and product liability. The Corporation carries commercial insurance for risks of loss.

Use of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Basis of presentation
Accounting principles generally accepted in the United States require the Corporation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Corporation has no temporarily restricted net assets. In addition, the management believes all expenditures incurred are program related expenditures and that there are no general and administrative or fundraising activities.

Reclassifications
Certain reclassifications were made to the prior year balances to conform to the current year presentation.

Note 3 - Restricted reserves and escrows

Tenant escrows

Tenant escrows consisted of the following as of December 31, 2014 and 2013:

	ECA	BCHC	LMHC	EHT	Total
Balance, December 31, 2012	$302,048	$ 24,900	$ 37,950	$109,290	$ 474,188
Deposits	79,237	7,000	16,425	14,752	117,414
Withdrawals	(73,520)	(4,500)	(17,175)	(9,726)	(104,921)
Balance, December 31, 2013	307,765	27,400	37,200	114,316	486,681
Deposits	108,031	84,538	35,927	9,334	237,830
Withdrawals	(95,219)	(53,738)	(27,927)	(5,529)	(182,413)
Balance, December 31, 2014	$ 320,577	$ 58,200	$ 45,200	$ 118,121	$ 542,098

Mortgage escrows

Various affiliates are required under loan and grant agreements to deposit funds for the payment of real estate taxes and property insurance into mortgage escrow accounts. As of December 31, 2014 and 2013, the mortgage escrows consisted of the following:

	ECA	BCHC	LMHC	EHT	Total
Balance, December 31, 2012	$ 380,280	$ 31,072	$ 49,391	$ 102,626	$ 563,369
Deposits	812,343	38,157	83,145	270,935	1,204,580
Interest earnings	530	-	47	438	1,015
Withdrawals	(808,138)	(40,561)	(88,481)	(176,675)	(1,113,855)
Balance, December 31, 2013	385,015	28,668	44,102	197,324	655,109
Deposits	855,196	119,044	75,775	77,186	1,127,201
Interest earnings	601	-	46	318	965
Withdrawals	(818,125)	(80,163)	(72,774)	(166,274)	(1,137,336)
Balance, December 31, 2014	$ 422,687	$ 67,549	$ 47,149	$ 108,554	$ 645,939

Replacement reserves - USDA projects

In accordance with the Loan and Grant Resolutions issued by USDA Rural Development, the Corporation is required to maintain replacement reserves as described in 7 CFR 3560.306.

The funding schedule is listed below:

	Monthly	Annual	Fully Funded
ECA			
Phase I (239 Units)	$ 9,300	$ 111,600	$ 1,116,000
Phase II (143 Units)	18,105	217,260	2,172,600
MDFL Project (66 units)	3,500	42,000	420,000
ERRH	1,250	15,000	150,000
EMH	2,500	30,000	300,000
OSC	5,798	69,573	695,727
PC (Phase I)	-	26,200	524,000
PC (Phase II)	-	15,720	314,500
BCHC			
MSVP	2,084	25,000	250,000
EGALP	2,975	35,700	357,000
EGII	-	25,900	259,000
LMHC			
Phase I	2,083	25,000	250,000
Phase I Supplemental	292	3,500	35,000
Phase III	1,142	13,700	137,000
Phase IV	1,384	16,605	166,050

The replacement reserve accounts are supervised by the applicable area's Rural Development Office of the USDA (the Agency). Use of these funds is restricted to approved capital expenditures as outlined in USDA Handbook 2-3560, Section 4.13. An endorsement from an Agency representative along with certain members of the Board of Directors of the Corporation is required for the withdrawal of funds. Funds are held in interest bearing accounts at local financial institutions.

CCC replacement reserve

In accordance with the loan agreement with the FHFC, CCC established a replacement reserve, which is used to fund capital repairs, replacements and improvements to the project as the need arises. CCC makes monthly deposits based on an annual amount of $325 per unit. Release of funds from the replacement reserve requires the approval of the FHFC. Funds are held in an interest bearing account at the 1st National Bank of South Florida (1stNBSF).

LOVI-LTD replacement reserve

LOVI-LTD is required to fund a replacement reserve of $200 per unit per year. The replacement reserve amount will be adjusted annually by the consumer price index (CPI), beginning January 1, 2010. Withdrawals from the replacement reserve require the approval of the administrative limited partner of LOVI-LTD.

LOVII-LTD replacement reserve

Upon commencement of the permanent financing phase, as defined, LOVII-LTD is required to fund a replacement reserve of $250 per unit per year. The replacement reserve amount is required to be adjusted on January 1, 2013 and January 1 of each fifth year thereafter by the greater of the CPI or the amount required by the permanent lender. Withdrawals from the replacement reserve require the approval of the administrative limited partner of LOVII-LTD.

ESH replacement reserve

In accordance with the loan agreement with the FHFC, ESH established a replacement reserve, which is used to fund capital repairs, replacements and improvements to the project as the need arises. Withdrawals of funds from the replacement reserve require the approval of the FHFC. In October 2009, the ESH was required to begin making deposits based on an annual amount of $200 per unit. The replacement reserve was established and a deposit of $800 was made on January 13, 2010. Funds are held in an account at a local financial institution.

OGA-LTD replacement reserve

OGA-LTD is required to make monthly deposits to a reserve for replacements account for use in funding maintenance and replacement costs.

CCA-LTD replacement reserve

CCA-LTD is required to make monthly deposits to a reserve for replacements account for use in funding maintenance and replacement costs.

EHG replacement reserve

EHG maintains a board-designated reserve for the replacement of capital items such as vehicles, heavy equipment and laundry equipment.

As of December 31, 2014 and 2013, the replacement reserves consisted of the following:

	ECA	BCHC	LMHC	EHT	EHG	Total
Balance, December 31, 2012	$ 3,615,836	$432,084	$341,392	$ 80,135	$129,127	$ 4,598,574
Deposits	614,333	69,782	58,620	48,000	-	790,735
Interest earnings	3,854	975	828	229	313	6,199
Withdrawals	(390,724)	(51,944)	(24,999)	-	-	(467,667)
Balance, December 31, 2013	3,843,299	450,897	375,841	128,364	129,440	4,927,841
Deposits	941,175	111,596	59,072	48,000	-	1,159,843
Interest earnings	4,190	962	675	310	248	6,385
Withdrawals	(446,853)	(43,388)	(77,782)	-	-	(568,023)
Balance, December 31, 2014	$ 4,341,811	$ 520,067	$ 357,806	$ 176,674	$ 129,688	$ 5,526,046

Debt service reserves

The Corporation established debt service reserves to pay principal and interest on loans as required under the loan agreements with the USDA and the FHFC. As of December 31, 2014 and 2013, the debt service reserves consisted of the following:

	ECA	BCHC	LMHC	Total
Balance, December 31, 2012	$ 678,637	$ 83,646	$ 20,601	$ 782,884
Deposits	787,492	186,360	241,500	1,215,352
Interest earnings	1,142	245	133	1,520
Withdrawals	(1,090,044)	(94,189)	(232,368)	(1,416,601)
Balance, December 31, 2013	377,227	176,062	29,866	583,155
Deposits	723,946	428,230	232,364	1,384,540
Interest earnings	1,063	368	139	1,570
Withdrawals	(682,021)	(324,068)	(232,368)	(1,238,457)
Balance, December 31, 2014	$ 420,215	$ 280,592	$ 30,001	$ 730,808

Operating reserves

OSC was required to establish and maintain an initial operating reserve of no less than $25,000. The funds are held in an interest bearing account at the 1stNBSF.

CCA-LTD and OGA-LTD maintain operating reserves. The funds are held in interest bearing accounts at local financial institutions.

As of December 31, 2014 and 2013, the operating reserve consisted of the following:

	ECA	EHT	Total
Balance, December 31, 2012	$ 27,152	$ 912,954	$ 940,106
Interest earnings	33	2,285	2,318
Balance, December 31, 2013	27,185	915,239	942,424
Interest earnings	32	1,848	1,880
Balance, December 31, 2014	$ 27,217	$ 917,087	$ 944,304

EGALP is required to establish and maintain an initial operating reserve of no less than $50,000. Funds are held in an interest bearing account at Fifth/Third Bank. As of December 31, 2014 and 2013, the investor limited partner had not made its final capital contribution and accordingly, the reserve had not been funded (see also Note 12).

Note 4 - Related party transactions

Property management fees

EHG is the management company that oversees a majority of the operations of the Corporation (see also Note 9). Generally, EHG receives a fee per occupied unit per month, from tenant rents for their role as property manager, which is based on the approved USDA per occupied unit per month amount for Florida properties. For the years ended December 31, 2014 and 2013, the monthly per occupied unit fee was generally $50.00 and $50.00, respectively. Property management fees earned by EHG during the years ended December 31, 2014 and 2013 were $559,860 and $558,602, respectively, which have been eliminated on the accompanying consolidating statements of activities.

EHG also serves as the primary employer of the staff of the Corporation and provides administrative services on a cost reimbursement basis. Reimbursable expenses that remain payable to EHG as of December 31, 2014 and 2013 have been eliminated on the accompanying consolidating statements of financial position. As of December 31, 2014 and 2013, REG owes EHG $12,485 and $16,468, which is included in due from affiliates on the accompanying consolidating statements of financial position.

Development fees

Live Oak Villas II, Ltd.

LOVII-LTD entered into a co-development agreement with Pinnacle Housing Group, LLC (PHG), a related party until 2009, and RNI. The development fee incurred and payable under this agreement is apportioned four-fifths to PHG and one-fifth to RNI.

The agreement provides for a developer fee of $1,731,614 for services in connection with the development of the project and supervision of construction. The developer fee is payable out of development proceeds and cash flows from operations, as defined. As of December 31, 2014 and 2013, the full developer fee has been capitalized as part of the project cost and $194,563 and $194,563, respectively, remained payable and is included in developer fee payable on the accompanying consolidating statements of financial position. The developer fee shall be paid in full by 2020.

Everglades Migrant Housing

In accordance with the credit underwriting report with the FHFC, RNI, in its capacity as developer, is entitled to a development fee of $555,953 for services in connection with the development of the project and supervision of construction. The development fee was capitalized into the cost of the building and is payable out of development proceeds and cash flows from operations, as defined. During 2013, RNI forgave $46,141 of the developer fee due to a cash shortage.

Oaks at Shannon's Crossing, LP

OSC entered into a development agreement with RLI Beneficial Development 5, LLC (RLI Beneficial) and RNI. All development fees incurred and payable under this agreement are apportioned two-thirds to RLI Beneficial and one-third to RNI. The agreement provides for a development fee of $1,798,040 for services in connection with the development of the project and supervision of construction. As of December 31, 2014 and 2013, the development fee has been capitalized as part of the project cost and $1,055,298 and $1,067,298, respectively, remained payable and was deferred. These amounts are included in development fees payable on the accompanying consolidating statements of financial position.

Under the terms of the partnership agreement, the deferred development fee shall bear interest from the month of construction completion until the date of payment at the long-term Applicable Federal Rate (AFR). The deferred development fee is payable from available cash flows, as defined, but no later than January 1, 2020. As of December 31, 2014 and 2013, accrued and unpaid interest on the deferred development fee was $316,164 and $259,509, respectively, and is included in development fees payable on the accompanying consolidating statements of financial position.

Eden Gardens Apartments project
The Corporation entered into development agreements with JR Beneficial Development, LLC (JR Beneficial) and RNI. All development fees incurred and payable under these agreements are apportioned two-thirds to JR Beneficial and one-third to RNI.

The agreements provide for a development fee of $2,171,765 for services in connection with the development of the various phases of the EGA project and supervision of construction. As of December 31, 2014 and 2013, the full development fee, had been incurred and capitalized into the cost of the three phases. As of December 31, 2014 and 2013, $1,611,327 and $1,611,327, respectively, remained payable and is included in developer fee payable on the accompanying consolidating statements of financial position.

Orchid Grove Apartments, Ltd.
OGA-LTD entered into a co-development fee agreement with PHG and RNI. The total development fee was estimated to be $1,881,947 or 16 percent of development costs, whichever is greater. The development fee incurred and payable under this agreement is apportioned four-fifths to PHG and one-fifth to RNI.

The total development fee is $1,960,272 and is payable out of development proceeds and cash flow from operations, as defined. As of December 31, 2014 and 2013, the full amount of $1,960,272 has been earned and paid.

Cypress Cove Apartments, Ltd.
CCA-LTD entered into a co-development services agreement with PHG and RNI. The total development fee was estimated to be $1,704,907 or 16 percent of development costs, whichever is greater. The development fee incurred and payable under this agreement is apportioned four-fifths to PHG and one-fifth to RNI.

The total development fee is $1,836,169 and is payable out of development proceeds and cash flow from operations, as defined. As of December 31, 2014 and 2013, the full amount of $1,836,169 has been earned and $- and $210,000, respectively, remained payable and is included in developer fee payable on the accompanying consolidating statements of financial position.

The portion of development fees earned by RNI and the related balances, have been eliminated on the accompanying consolidating financial statements.

Other related party fees

Asset management fees

Pursuant to the partnership agreements, LOVI-LTD and LOVII-LTD are required to pay their respective investor limited partners an annual asset management fee for their services in reviewing the informational reports, financial statements and tax returns of the partnerships. The fees are payable to the extent of available cash flow, as defined. Unpaid fees accrue without interest. During each of the years ended December 31, 2014 and 2013, asset management fees of $- and $5,200, respectively, were incurred and paid by LOVI-LTD. During the years ended December 31, 2014 and 2013, asset management fees of $3,230 and $3,194, respectively, were incurred and paid by LOVII-LTD.

Pursuant to the partnership agreement, commencing in 2009, EGALP is required to pay its investor limited partner an annual asset management fee of $3,315 for property management oversight, tax credit compliance monitoring and related services. The fee is payable to the extent of available cash flow, as defined. The fee shall increase 3 percent annually and unpaid fees accrue without interest. For the years ended December 31, 2014 and 2013, asset management fees of $3,843 and $3,731, respectively, were incurred and paid.

Investor services fee

Pursuant to the partnership agreement, OSC is required to pay the investment limited partner an annual, cumulative fee of $5,000 per year, commencing January 1, 2008. The investor services fee shall be payable annually by OSC out of cash flow, as defined. The fee shall increase 3 percent annually, commencing January 1, 2009. For the years ended December 31, 2014 and 2013, investor services fees of $5,970 and $5,796, respectively, were incurred. As of December 31, 2014 and 2013, investor services fees of $5,970 and $5,796 remained payable, respectively.

Nonprofit asset management fee

In accordance with the USDA Handbook HB-2-3560, EFV submitted budgets to the USDA Rural Development, which included a nonprofit asset management fee of $7,500 for 2014 and 2013. These budgets were approved by the USDA. During 2014, EFV incurred and paid $7,500 in nonprofit asset management fees to the Corporation. During 2013, EFV incurred and paid $14,234 in nonprofit asset management fees to the Corporation, of which $6,734 related to 2012. These fees are included in project administration expenses on the accompanying statements of activities.

In accordance with the USDA Handbook HB-2-3560, EMH submitted 2014 and 2013 budgets to the USDA Rural Development, which included nonprofit asset management fees of $7,500 and $4,281, respectively. The budgets were approved by the USDA. During 2014 and 2013, EMH incurred and paid $7,500 and $4,281, respectively, in nonprofit asset management fees to the Corporation. These fees are included in project administration expenses on the accompanying statements of activities.

In accordance with the USDA Handbook HB-2-3560, ERRH submitted budgets to the USDA Rural Development, which included a nonprofit asset management fee of $7,500 for 2014 and $6,927 for 2013. These budgets were approved by the USDA. During 2014, ERRH incurred and paid $6,669 in nonprofit asset management fees to the Corporation. During 2013, ERRH incurred and paid $11,903 in nonprofit asset management fees to the Corporation, of which $4,976 was related to 2012. These fees are included in project administration expenses on the accompanying statements of activities.

In accordance with the USDA Handbook HB-2-3560, MDFL submitted budgets to the USDA Rural Development, which included a nonprofit asset management fee of $- for 2014 and $7,500 for 2013. These budgets were approved by the USDA. During 2013, MDFL incurred and paid $11,418 in nonprofit asset management fees to the Corporation, of which $3,918 was related to 2012. These fees are included in project administration expenses on the accompanying statements of activities.

In accordance with the USDA Handbook HB-2-3560, PC submitted budgets to the USDA Rural Development, which included a nonprofit asset management fee of $7,500 for 2014 and $4,908 for 2013. These budgets were approved by the USDA. During 2014 and 2013, PC incurred and paid $7,500 and $4,908, respectively, in nonprofit asset management fees to the Corporation. These fees are included in project administration expenses on the accompanying statements of activities.

In accordance with the Handbook HB-2-3560, MSV submitted budgets to the USDA Rural Development, which included a nonprofit asset management fee of $7,500 for 2014 and $7,500 for 2013. These budgets were approved by the USDA. During 2014, MSV incurred and paid $7,500 in nonprofit asset management fees to the Corporation. During 2013, the Project incurred and paid $13,521 in nonprofit asset management fees to the Corporation, of which $6,021 related to 2012. These fees are included in project administration expenses on the accompanying statements of activities.

Incentive partnership management fee
For management services related to CCA-LTD, CC and the special limited partner are to be paid an annual non-cumulative incentive partnership management fee. The fee is split between the partners, with 55.56 percent payable to CC and 44.44 percent payable to the special limited partner. The fee is payable to the extent of available cash flow. During the years ended December 31, 2014 and 2013, no incentive partnership management fees were earned by CC and the special limited partner.

For management services related to OGA-LTD, OA and the special limited partner are to be paid an annual non-cumulative incentive partnership management fee. The fee is split between the partners, with 55.56 percent payable to OA and 44.44 percent payable to the special limited partner. The fee is payable to the extent of available cash flow. During the years ended December 31, 2014 and 2013, OA earned $- and $- in incentive partnership management fees, respectively, which has been eliminated between OGA-LTD and OA and is not included on the accompanying consolidating statements of activities. During the years ended December 31, 2014 and 2013, OGA-LTD's special limited partner, an unrelated party to the Corporation, earned $105,175 and $- in incentive partnership management fees, respectively. These fees were paid in full as of December 31, 2014 and 2013.

EHG charges OA and CC a supervisory accounting fee for accounting, management and supervisory services provided related to OGA-LTD. For the years ended December 31, 2014 and 2013, supervisory accounting fees of $44,400 and $36,000 were earned by EHG, which have been eliminated on the accompanying consolidating statements of activities. As of December 31, 2014 and 2013, supervisory accounting fees of $44,400 and $36,000, respectively, were due to EHG from OA and CC, which have been eliminated on the accompanying consolidating statements of financial position. No formal executed agreement exists in regards to the supervisory accounting fee. EHG assesses the fee annually based upon an estimate of services performed and costs incurred related to accounting, management and supervisory services provided directly to OA and CC.

RNI charges OA and CC asset management fees for management and supervisory services provided related to OGA-LTD and CCA-LTD. For the years ended December 31, 2014 and 2013, asset management fees of $96,000 and $60,000 were earned by RNI, which have been eliminated on the accompanying consolidating statements of activities. As of December 31, 2014 and 2013, supervisory accounting fees of $94,000 and $60,000, respectively, were due to RNI from OA and CC, which have been eliminated on the accompanying consolidating statements of financial position. No formal executed agreement exists in regards to the asset management fee. RNI assesses the fee annually based upon an estimate of services performed and costs incurred related to management and supervisory services provided directly to OA and CC.

Lease-up fee

Prior to the achievement of stabilization, as defined, the CCA-LTD shall pay a lease-up fee to its managing general partner for services rendered in connection with supervising the lease-up of the apartment complex. The fee shall be incurred to the extent the CCA-LTD generates net cash flow, as defined. For the years ended December 31, 2014 and 2013, no lease-up fees were incurred.

Prior to the achievement of stabilization, as defined, the OGA-LTD shall pay a lease-up fee to its managing general partner for services rendered in connection with supervising the lease-up of the apartment complex. The fee shall be incurred to the extent the OGA-LTD generates net cash flow, as defined. For the years ended December 31, 2014 and 2013, lease-up fees of $189,300 and $-, respectively, were incurred. These fees are included in project administration expense on the accompanying statements of activities.

Due to/from affiliates

During 2014 and 2013, the Reserve at Eden Gardens Association, Inc. (REG), an affiliate, incurred expenses for which it expects to be reimbursed by EGALP, ESH, and EGII. The expenses include administrative, payroll, and other costs of the phases. As of December 31, 2014 and 2013, the balance owed to REG was $47,118 and $47,661, respectively, which included $- and $15,000, respectively, owed to REG for the reimbursement of a debt service payment made to the USDA on behalf of EGALP. These balances are included in due to affiliates on the accompanying consolidating statements of financial position.

During 2012, EFV made payments for remodeling expenses, administrative and maintenance expenses on behalf of RNI. As of December 31, 2012, the amount of expenses still owed to EFV was $1,010, which has been eliminated on the accompanying consolidating statement of financial position. The advances were fully repaid as of December 31, 2013.

During 2011, the EGALP incurred legal costs related to litigation with WaterMark Construction. The total amount of the costs incurred as of December 31, 2014 and 2013 was $1,151,186 and $749,145, respectively. JR Beneficial has paid a portion of these costs and expects to be reimbursed by EGALP. As of December 31, 2014 and 2013, the outstanding amount owed to JR Beneficial was $104,797 and $324,246, respectively, which is included in due to affiliates on the accompanying consolidated statements of financial position.

During 2013, EGALP made payments totaling $29,400 to REG for the 2014 SAIL loan payment to Collier County. The funds are being held by REG and will be disbursed to Collier County when payment is due. As of December 31, 2014, the outstanding amount owed by REG was $-, which is included in due to affiliates on the accompanying consolidated statement of financial position.

RNI has balances due from affiliates for the payment of various administrative expenses. The balances between RNI and its affiliates have been eliminated in the accompanying supplemental consolidating financial statements and consist of the following:

BCHC received advances from RNI to pay for general operating expenses. As of December 31, 2014 and 2013, the total amount of advances owed to RNI was $64,000 and $40,000, respectively.

EGALP received advances from RNI to pay for cost overruns in connection with the development of Phase I and to pay for general operating expenses. As of December 31, 2014 and 2013, the total amount of advances owed to RNI was $135,780 and $193,247, respectively.

During 2013, RNI paid for costs on behalf of LOVII-LTD. As of December 31, 2014 and 2013, the amount of expenses still owed to RNI was $- and $8,304, respectively.

Notes receivable - affiliates

Notes receivable from affiliates includes obligations payable to RNI under various note and loan agreements. The balances between RNI and its affiliates that are included in the consolidated financial statements have been eliminated on the accompanying consolidating financial statements.

On December 31, 2009, RNI entered into a promissory note with REG for $175,000. The note is non-interest bearing and due on demand. As of December 31, 2014 and 2013, the balance of the note was $30,000 and $60,000, respectively and is included in the consolidated statements of financial position.

On December 31, 2008, RNI entered into a promissory note with EHG for $250,000. The advances are used for operating expenses and may be drawn and repaid from time to time, provided that the unpaid balance does not exceed $250,000. The note is non-interest bearing and is due on demand. As of December 31, 2014 and 2013, the outstanding balance was $- and $95,000, respectively.

On January 1, 2008, RNI entered into a promissory note with ECA for advances up to $350,000 to fund the development costs of CCC. The note is non-interest bearing and due on demand. As of December 31, 2014 and 2013, the note balance was $280,000 and $295,000, respectively.

On June 1, 2008, RNI entered into a promissory note with ECA for $412,374 to fund the operating costs of CCC. The note is non-interest bearing and is due on demand. As of December 31, 2014 and 2013, the note balance was $412,374 and $412,374, respectively.

On November 16, 2007, RNI entered into a $341,000 promissory note with PC for the purchase of land for development. The note bears interest at a rate of 6.75 percent per annum and requires no annual principal or interest payments. Any unpaid principal and interest is payable in full at maturity on November 16, 2012. On January 1, 2011, RNI extended the maturity date to December 31, 2012 and reduced the interest rate to 0 percent. During 2012, phase III of PC was incorporated as a separate legal entity and the liability balance was transferred to PCSH. On January 1, 2013, RNI extended the maturity date to December 31, 2013. On November 26, 2013, RNI extended the maturity date to June 30, 2014. On February 3, 2015, RNI extended the maturity date to December 31, 2015. As of December 31, 2014 and 2013, the note balance was $341,000 and $341,000, respectively, and accrued interest was $7,000 and $7,000, respectively.

On December 31, 2010, RNI entered into a promissory note with PC for advances of up to $83,910. The note is non-interest bearing and payable upon disposition of the PC project. During 2012, phase III of PC was incorporated as a separate legal entity and the liability balance was transferred to PCSH. As of December 31, 2014 and 2013, the note balance was $-. During 2013, RNI forgave the loan, which is included in forgiveness of related party debt on the accompanying consolidated statements of changes in net assets.

On June 8, 2006, RNI entered into a $500,000 promissory note with OSC. The proceeds were received by RNI through the Affordable Housing Program of the Federal Home Loan Bank of Pittsburgh. The note is non-interest bearing and payable in full at maturity on May 1, 2039. As of December 31, 2014 and 2013, the note balance was $500,000 and $500,000, respectively.

On December 31, 2010, RNI entered into a promissory note with ESH for advances of up to $18,000. The note is non-interest bearing and payable upon disposition of the ESH project. As of December 31, 2014 and 2013, the note balance was $8,000 and $18,000, respectively.

On August 24, 2007, RNI entered into a promissory note with ECA for advances of up to $300,000. The note is non-interest bearing and payable on demand. As of December 31, 2014 and 2013 $224,000 and $154,000, respectively, had been used by ECA to fund various pre-development costs. As of December 31, 2014, an additional $55,000 and $60,000 under this note had been used by EMH to fund development costs, respectively. As of December 31, 2014 and 2013, an additional $80,000 and $50,000 under this note had been used by Phase V to fund development costs, respectively. As of December 31, 2014 and 2013, an additional $15,000 and $15,000 under this note had been used by Phase VI to fund development costs, respectively.

On December 31, 2010, RNI entered into a promissory note with ECA for advances of up to $130,000 to fund the development costs of Phase IV. The note is non-interest bearing and payable upon disposition of the Phase IV project. As of December 31, 2014 and 2013, the note balance was $100,000 and $50,000, respectively.

On December 27, 2011, phase I of PC entered into a promissory note with RNI for advances of up to $57,500. The note is non-interest bearing and payable upon disposition of the PC project. As of December 31, 2012, the note balance was $57,500. During 2013, the loan was forgiven by RNI.

On December 27, 2011, phase II of PC entered into a promissory note with RNI for advances of up to $48,000. The note is non-interest bearing and payable upon disposition of the PC project. As of December 31, 2014 and 2013, the note balance $20,000 and $48,000, respectively.

On December 31, 2011, PC entered into a promissory note with RNI for advances of up to $150,000. The note is non-interest bearing and payable upon disposition of the PC project. During 2012, phase III of PC was incorporated as a separate legal entity and the liability balance was transferred to PCSH. As of December 31, 2014 and 2013, the note balance was $525,000 and $153,000, respectively.

On December 31, 2012, ESH entered into a promissory note with RNI for advances of up to $7,500. The note is non-interest bearing and requires no annual payments. The note shall be due and payable upon sale or transfer of the ESH project. As of December 31, 2014 and 2013, the balance of the note was $- and $-, respectively.

On November 3, 2004, LOVI-LTD entered into a promissory note with ECA in an amount not to exceed $75,000. Subsequently, the Board of Directors transferred the note to RNI through an assignment. The note is non-interest bearing and payable in full at maturity on November 3, 2034. As of December 31, 2014 and 2013, the note balance was $75,000 and $75,000, respectively.

On November 19, 2004, LOV1-LTD entered into a promissory note with ECA in an amount not to exceed $1,500,000. Subsequently, the Board of Directors transferred the note to RNI through an assignment. The note is non-interest bearing and payable in full at maturity on November 19, 2034. As of December 31, 2014 and 2013, the note balance was $1,500,000 and $1,500,000, respectively.

On August 30, 2006, RNI provided a loan of up to $400,000 for the construction of Phase I of EGALP. The proceeds were received by RNI through the U.S. Department of Housing and Urban Development. The loan bears interest at a rate of 1.00 percent per annum and matures August 30, 2046. RNI has been granted a security interest in the real property of the project. For each of the years ended December 31, 2014 and 2013, interest incurred and paid was $2,713. As of December 31, 2014 and 2013, the balance of the loan was $271,306 and $271,306, respectively.

On February 1, 2008, RNI entered into a promissory note with EGALP for an amount not to exceed $200,000. The note is non-interest bearing and has no fixed repayment date. As of December 31, 2014 and 2013, the balance was $50,000 and $50,000, respectively.

On December 31, 2009, RNI entered into a promissory note with EGII for an amount not to exceed $40,000. The note is non-interest bearing and requires no annual payments. The note shall be due and payable upon sale or transfer of the property. As of December 31, 2014 and 2013, the balance was $40,000 and $40,000, respectively.

In prior years, RNI advanced $89,236 of initial operating capital to the Dorm Units at Manatee Village. These advances are non-interest bearing and are to be repaid as cash flows permit. As of December 31, 2014 and 2013, the balance was $- and $85,000, respectively.

During 2011, LMHC entered into an unsecured promissory note with RNI for $58,200 to provide funds for the initial operating capital of the Phase IV. The note is non-interest bearing and repayment is subject to the terms and conditions outlined in USDA Handbook 2-3560, Section 4.9. As of December 31, 2012, the balance was $58,200. During 2013, the loan was forgiven by RNI.

Notes receivable from affiliates also includes the following obligations payable to ECA:

On August 30, 2006, ECA entered into a promissory note with EGALP for $400,000 for the construction of a low-income housing project. The proceeds were received by ECA through the Affordable Housing Program of the Federal Home Loan Bank of Atlanta. The note bears interest at a rate of 1.0 percent per annum and matures August 30,

2046. As of December 31, 2014 and 2013, the balance of the note outstanding was $400,000 and $400,000, respectively. The balances have been eliminated in the accompanying consolidating statements of financial position. For the years ended December 31, 2014 and 2013, interest of $4,000 and $4,000, respectively, was incurred. The balances have been eliminated in the accompanying consolidating statements of activities.

On March 10, 2008, ECA entered into a promissory note with EGII for $400,000 for the construction of a low-income housing project. The proceeds were received by ECA through the Affordable Housing Program of the Federal Home Loan Bank of Atlanta. The note is non-interest bearing and matures May 1, 2048, at which time the principal amount of the loan will be automatically forgiven if certain prescribed conditions are met. As of December 31, 2014 and 2013, the balance of the note was $400,000 and $400,000 respectively. The balances have been eliminated on the accompanying consolidating statements of financial position.

On December 31, 2010, EGII entered into a promissory note with ECA for $40,000. The note is non-interest bearing and requires no annual payments. The note shall be due and payable upon sale or transfer of Phase III of the EGA project. As of December 31, 2014 and 2013, the balance was $40,000 and $40,000, respectively. The balances have been eliminated on the accompanying consolidating statements of financial position.

Note 5 - Promissory and mortgage notes payable

Notes and mortgages payable under RNI are as follows:

On November 19, 2004, ECA entered into a $1,500,000 loan agreement with the FHFC to provide funds for construction of the Live Oak Villas project. Subsequently, the Board of Directors transferred the note to RNI through an assignment. The loan is non-interest bearing and principal is forgiven on a prorated basis over the ten-year term of the loan. The loan forgiveness requires that the project continue to provide farm worker housing through maturity on November 19, 2014. Debt forgiveness of $131,250 and $150,000 was reflected during the years ended December 31, 2014 and 2013, respectively, and is included in income from forgiveness of debt on the accompanying consolidated statements of activities. As of December 31, 2014 and 2013, the loan balance was $- and $131,250, respectively.

Notes and mortgages payable under ECA are as follows:

On January 26, 1995, ECA entered into a loan agreement and a series of grants with the USDA for $20,211,190. The USDA loan of $6,389,219 and USDA grants of $13,821,971 were combined to provide construction funds for 239 of the rental units and the administrative complex for the EFV project. The loan is repayable in annual installments of $240,718 due on January 1 of each year. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2032. As of December 31, 2014 and 2013, the loan balance was $2,972,880 and $3,127,075, respectively.

On March 26, 1996, ECA entered into a loan agreement and a series of grants with the USDA for $15,924,299. The loan of $1,450,000 and grants of $14,474,299 were combined to provide construction funds for 143 of the rental units along with a neighborhood retail center and a Miami-Dade County public park. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2034. Principal and interest are payable in annual installments of $54,630. As of December 31, 2014 and 2013, the loan balance was $656,349 and $692,414, respectively.

In August 2012, ECA entered into a loan agreement with the USDA for $1,500,000 to provide construction funds for the 18 units of EFV Phase IV. The loan bears interest at a rate of 1.00 percent per annum and matures August 10, 2045. The loan requires annual interest payments beginning January 1, 2013 through January 1, 2014. Principal and interest are due in annual installments of $56,514 beginning January 1, 2015, with any unpaid principal and interest due at maturity. As of December 31, 2014 and 2013, the loan balance was $1,391,422 and $1,500,000, respectively.

In May 2004, ECA acquired the MDFL project from Miami-Dade County, Florida. The project consists of 66 units located on a parcel of land adjacent to EFV. ECA managed the property for the Miami-Dade Housing Agency from 1995 to the time of acquisition. Miami-Dade County borrowed funds from the USDA to construct the project. The initial note amount was $3,834,370. The loan bears interest at a rate of 1.00 percent per annum and matured on September 1, 2013. Principal and interest are payable in annual installments of $144,463. At the time of the acquisition, the balance due on the note was $1,378,430. This outstanding balance became the acquisition price. As of December 31, 2012, the loan balance was $143,070. During 2013, the loan was paid in full.

On December 1, 2006, ECA entered into a $1,500,000 loan agreement with the USDA to provide construction funds for the 15 units of ERRH. On November 1, 2008, the loan agreement was amended to increase the loan to $1,614,309. The loan bears interest at a rate of 6.00 percent per annum with a 50-year amortization. The loan agreement requires monthly principal and interest payments of $8,553 until maturity on December 1, 2036. Under an interest credit agreement with the USDA, ECA receives a monthly interest credit of $5,027 towards the monthly principal and interest payment, resulting in a net monthly payment of $3,526 due from ECA. As of December 31, 2014 and 2013, the balance was $1,572,044 and $1,580,090, respectively.

On December 14, 2004, ECA entered into a $1,250,000 loan agreement with FHFC to provide construction funds for the 28 units of CCC. The loan is non-interest bearing and requires annual payments of $41,667 into a debt service fund until maturity on December 30, 2020. ECA may extend the maturity date, at the sole discretion of the FHFC, in additional five-year increments based on continued occupancy by farm workers, not to exceed a total term of 30 years. As of December 31, 2014 and 2013, the loan balance was $1,250,000 and $1,250,000, respectively.

On January 27, 2010, ECA entered into a $2,000,000 loan agreement with the USDA to provide construction funds for the 30 units of EMH. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2043. The loan agreement requires annual interest payments beginning January 1, 2011 through January 1, 2012. Principal and interest are payable in annual installments of $75,351 beginning January 1, 2013 with any unpaid principal and interest due at maturity. The loan is secured by the underlying rental property. As of December 31, 2014 and 2013, the balance was $1,831,714 and $1,888,235, respectively.

On January 29, 2010, ECA entered into a $1,030,665 loan agreement with the FHFC to provide construction funds for the 30 units of EMH. The loan is non-interest bearing and matures January 29, 2030, at which time the principal amount of the loan will be automatically forgiven if certain prescribed conditions are met. The loan is secured by the underlying rental property. As of December 31, 2014 and 2013, the balance was $1,030,655 and $1,030,655, respectively.

On May 1, 2004, LOVI-LTD entered into a first mortgage agreement with Citibank Federal Savings Bank with the principal not to exceed $2,000,000. On April 30, 2006, the conversion date, a pay-down of $286,731 was made to reduce the principal amount of the loan to $2,000,000. During 2009, the note was transferred and is now held with Berkadia Commercial Mortgage (Berkadia). The loan bears interest at a rate of 7.15 percent per annum and is amortized over 30 years. Principal and interest are payable in monthly installments of $13,508 until maturity on May 1, 2021. As of December 31, 2014 and 2013, the loan balance was $1,772,514 and $1,806,545, respectively.

On February 29, 2009, LOVII-LTD entered into a mortgage agreement with Berkadia for $2,095,000. The loan bears interest at a rate of 6.53 percent per annum and matures February 25, 2024. Monthly principal and interest payments of $13,283 are required until maturity, at which time any unpaid principal and accrued interest are payable in full. As of December 31, 2014 and 2013, the loan balance was $1,937,839 and $1,969,563, respectively.

On November 25, 2009, PC entered into a $2,250,000 loan agreement with the USDA for the development of Phase I of the project. During the year ended December 31, 2012, PC applied for and was granted a loan reamortization from the USDA. Per the amended loan agreement, the loan bears interest at a rate of 1.00 percent and matures November 25, 2043. Principal and interest are due in annual installments of $84,715 beginning January 1, 2014, with any unpaid principal and interest due at maturity. As of December 31, 2014 and 2013, the loan balance was $2,059,357 and $2,122,556, respectively.

On November 25, 2009, PC entered into a $1,500,000 loan agreement with the USDA for the development of Phase II of the project. During the year ended December 31, 2012, PC applied for and was granted a loan reamortization from the USDA. Per the amended loan agreement, the loan bears interest at a rate of 1.00 percent and matures

November 25, 2043. Principal and interest are due in annual installments of $57,066 beginning January 1, 2014, with any unpaid principal and interest due at maturity. As of December 31, 2014 and 2013, the loan balance was $1,387,220 and $1,429,792, respectively.

On December 17, 2009, PC entered into a $3,855,304 loan agreement with the FHFC for the development of Phase I of the project. The loan bears interest at a rate of 1.00 percent and matures January 1, 2042. Annual interest payments are payable out of development cash flows, as defined, with any unpaid principal and interest due at maturity. As of December 31, 2014 and 2013, the loan balance was $3,855,304 and $3,855,304, respectively.

On December 17, 2009, PC entered into a $1,140,282 loan agreement with the FHFC for the development of Phase II of the project. The loan is non-interest bearing and requires a single balloon payment at maturity on January 1, 2042. As of December 31, 2014 and 2013, the loan balance was $1,140,282 and $1,140,282, respectively.

On January 18, 2007, OSC entered into a $3,000,000 loan agreement with the USDA. The loan bears interest at a rate of 1.00 percent per annum and matures January 18, 2040. The loan requires annual payments of accrued interest beginning January 1, 2008 through January 1, 2009. Principal and interest are payable in annual installments of $113,027 beginning on January 1, 2010, with any unpaid principal and interest due at maturity. As of December 31, 2014 and 2013, the loan balance was $2,488,215 and $2,575,557, respectively.

On December 28, 2007, ESH entered into a $300,000 loan agreement with the FHFC for the construction of the project. The loan is non-interest bearing and requires a single balloon payment at maturity on December 28, 2027. As of December 31, 2014 and 2013, the loan balance was $241,458 and $241,458, respectively.

Notes and mortgages payable under BCHC are as follows:

On May 3, 2002, BCHC entered into a $2,500,000 loan agreement with the USDA to provide funds for the construction of MSV. The loan bears interest at a rate of 1.00 percent per annum and matures May 3, 2035. Principal and interest are payable in annual installments of $94,189. USDA requires a monthly payment to a debt service reserve account of $1/12^{th}$ of the annual principal and interest payment. As of December 31, 2014 and 2013, the balance of the loan was $1,698,532 and $1,775,405, respectively.

On October 3, 2007, EGALP entered into a $3,000,000 loan agreement with the USDA. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2040. Principal and interest are payable in annual installments of $113,027 beginning on January 1, 2010, with any unpaid principal and interest due at maturity. As of December 31, 2014 and 2013, the balance of the loan was $2,483,984 and $2,571,438, respectively.

On October 3, 2007, EGII entered into a $2,250,000 loan agreement with the USDA. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2040. Principal and interest are payable in annual installments of $84,770 beginning January 1, 2010 with any unpaid principal and interest due at maturity. As of December 31, 2014 and 2013, the balance of the loan was $1,865,950 and $1,931,092, respectively.

On May 3, 2002, MSV entered into a $3,280,000 loan agreement with the FHFC for the construction of the project. The funds were provided by the FHFC under the HOME Investment Partnerships Program (HOME). The loan is non-interest bearing and requires a single balloon payment due on May 3, 2035. As of December 31, 2014 and 2013, the balance of the loan was $3,280,000 and $3,280,000, respectively.

On October 31, 2007, EGII entered into a $3,500,000 loan agreement with the FHFC. The funds were provided by the FHFC under the SAIL Program for the construction of Phase III of the EGA project. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2040. The loan requires annual payments based on the actual cash flow of the phase, as defined. As of December 31, 2014 and 2013, the balance of the loan was $2,803,830 and $2,803,830, respectively.

On October 15, 2001, MSV entered into a $237,000 loan agreement with the Collier County Housing and Urban Development under the State Housing Initiative Program (SHIP). According to the terms of the promissory note, repayment of the loan was to be in yearly installments of $59,250 beginning on July 1, 2009 and terminating on July 1, 2012. The unpaid portion of the required principal payments accrued interest at 12 percent per annum from the date when the payment was due until paid in full. MSV inadvertently escrowed the related debt service payments instead of delivering the required payments to SHIP. As a result, SHIP invoiced MSV accrued interest of $29,687 in April of 2012, of which $15,467, $10,665, and $3,555 relates to 2011, 2010, and 2009, respectively. This amount is included in interest on mortgages payable on the accompanying consolidated statements of activities and was paid in 2012. During 2011, the loan was paid in full.

On July 1, 2007, EGALP entered into a SHIP loan agreement with Collier County, for $442,000 to fund the construction of the project. The loan is non-interest bearing and requires no payments for the first six years. Beginning December 31, 2014, annual principal payments of $31,571 are required through maturity on December 31, 2028. As of December 31, 2014 and 2013, the balance was $410,429 and $442,000, respectively.

Notes and mortgages payable under LMHC are as follows:

On September 22, 2000, LMHC entered into a series of loans and grants with the USDA to construct MV. USDA loans of $3,255,480 and USDA grants of $1,919,520 were combined with a $342,000 grant from the FHLBA to provide construction funds for the Family Units. The loans bear interest at a rate of 1.00 percent per annum and mature

November 1, 2036. The loans are repayable in annual installments of $122,652 due on November 1 of each year. As of December 31, 2014 and 2013, the balance of the loans was $2,311,272 and $2,410,153, respectively.

On November 13, 2009, LMHC entered into a $2,910,000 loan agreement with the USDA for the construction of MV4. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2042. The loan requires annual interest payments beginning on January 1, 2010. Principal and interest will be payable in annual installments of $109,712 beginning on January 1, 2012, with any unpaid principal and interest due at maturity. As of December 31, 2014 and 2013, the balance of the loan was $2,579,416 and $2,663,295, respectively.

Loans of $580,000 were obtained from the Hillsborough County Community Improvement District (HCCID) to purchase the three parcels of land and to pay the water and waste-water fees for the site of MV. The loans consist of $300,000 obtained on February 21, 2001, $80,000 obtained on October 9, 2001, and $200,000 obtained on February 9, 2004. The loans are non-interest bearing for the first 5 years, 1.00 percent interest for years 6 through 10, 1.25 percent interest for years 11 through 20, 1.50 percent interest for years 21 through 30, and 2.00 percent for years 31 through 40. The loans require annual interest payments based on the available cash flow of MV, as defined. The loans mature upon disposition of property. As of December 31, 2014 and 2013, the balance of the loans was $579,895 and $579,895, respectively.

On November 30, 2009, MV4 entered into a $1,250,000 loan agreement with the FHFC under the SAIL Program for the construction of the project. The loan bears interest at a fixed rate of 1.00 percent per annum and matures November 30, 2042. The loan requires annual interest payments based on the available cash flow of MV4, as defined. As of December 31, 2014 and 2013, the balance of the loan was $1,250,000 and $1,250,000, respectively.

Notes and mortgages payable under EHT are as follows:

Tax credit assistance program (TCAP) loans
On April 29, 2010, OGA-LTD entered into a TCAP agreement with the FHFC for an amount not to exceed $3,430,567, consisting of a TCAP Loan ("TCAP Loan") of $2,750,567 and a TCAP/Supplemental Loan ("Supplemental Loan") of $680,000.

The TCAP Loan bears interest at a rate of zero percent through May 1, 2012 and is non- amortizing during the term of the note. Commencing on May 1, 2012, annual interest payment will be due at a rate of .33% simple interest on the outstanding principal balance, subject to available cash flow, as defined. As of January 1, 2014, the for-profit borrower withdrew and the interest rate was reduced to 0 percent. Unpaid interest and principal is due on February 16, 2027.

The Supplemental Loan bears no interest and is non-amortizing during the term of the note, with a balloon payment due and payable on April 29, 2025. As of December 31, 2014 and 2013, the outstanding principal balance was $3,430,567 and $3,430,567, respectively.

On April 7, 2010, CCA-LTD entered into a TCAP agreement the FHFC for an amount not to exceed $3,675,167, consisting of a TCAP Loan of $2,995,167 and a Supplemental Loan of $680,000.

The TCAP Loan bears interest at a rate of zero percent through May 1, 2012 and is non-amortizing during the term of the note. Commencing on May 1, 2012, annual interest payments will be due, subject to available cash flow, as defined, at a blended rate of 1.0% simple interest per annum on the portion of the development determined by the FHFC to be owned by a for-profit borrower, and 0% interest on the portion of the development determined by the FHFC to be owned by a non-profit borrower on the outstanding principal balance. As of January 1, 2014, the for-profit borrower withdrew and the interest rate was reduced to 0 percent. Unpaid interest and principal is due on February 16, 2027.

The Supplemental Loan bears interest at a rate of 0% simple interest per annum on the outstanding principal balance and is non-amortizing during the term of the note, with a balloon payment due and payable on April 7, 2025. As of December 31, 2014 and 2013, the outstanding principal balance was $3,675,167 and $3,675,167, respectively.

Tax credit exchange program (TCEP) loans

On April 29, 2010, OGA-LTD entered into a TCEP agreement with the FHFC for an amount not to exceed $12,674,248. The TCEP loan bears no interest and is non-amortizing during the term of the note. As of December 31, 2014 and 2013, the outstanding principal balance was $9,294,448 and $10,139,398, respectively.

On April 7, 2010, CCA-LTD entered into a TCEP agreement with the FHFC for an amount not to exceed $10,242,500. The TCEP loan bears interest at rate of zero percent and is non-amortizing during the term of the note. As of December 31, 2014 and 2013, the outstanding principal balance was $7,511,168 and $8,194,001, respectively.

Under the TCEP loan agreements, loan principal is forgiven annually over the 15-year tax credit compliance period. Forgiveness is subject to OGA-LTD and CCA-LTD maintaining compliance with Section 42. Prior to being forgiven the remaining outstanding portion of the loans that has not been forgiven is subject to repayment in the event OGA-LTD and CCA-LTD fail to maintain compliance. No principal payments are required to be paid during the loan terms. The loan agreements provide FHFC with a security interest in the buildings and improvements of the projects. The loans are subordinated to the first mortgages.

Loan proceeds funded with Section 1602 program funds are intended to assist with payment of development costs of LIHTC properties. In exchange for the funds received, OGA-LTD and CCA-LTD have agreed to operate their properties in accordance with Section 42. Under the American Recovery and Reinvestment Act, portions of the loans which have been forgiven are considered government assistance related to assets and are considered non-taxable income. OGA-LTD and CCA-LTD will record the portions of their loans which have been forgiven as a deferred liability which will be recognized as tax-exempt income based on the total amount of the loan expected to be forgiven on a straight line basis over the depreciable life of the buildings and improvements of the projects. The TCAP and TCEP loans are serviced by Seltzer Management Group, Inc.

Home loans

On April 29, 2010, OGA-LTD entered into a HOME loan agreement with the FHFC for an amount not to exceed $115,900. The loan bears interest of 0.495 percent per annum on the outstanding principal balance. Annual interest payments on the HOME Loan are due no later than October 1, 2010 and are non-amortizing. The entire unpaid principal balance is due on February 16, 2030, the maturity date. As of December 31, 2014 and 2013, the outstanding principal balance was $115,900 and $115,900, respectively.

On April 7, 2010, CCA-LTD entered into a HOME loan agreement with the FHFC, for an amount not to exceed $130,000. The loan bears interest of 0.495 percent per annum on the outstanding principal balance. Annual interest payments on the HOME Loan are due no later than October 10. The entire unpaid principal balance is due on February 16, 2027, the maturity date. As of December 31, 2014 and 2013, the outstanding principal balance was $130,000 and $130,000, respectively.

The estimated aggregate principal maturities of the promissory and mortgage notes payable subsequent to December 31, 2014 are as follows:

	ECA	BCHC	LMHC	EHT	Total
2015	$ 627,263	$ 261,250	$ 182,474	$ 1,527,783	$ 2,598,770
2016	638,260	263,547	184,303	1,527,783	2,613,893
2017	649,697	265,866	186,150	1,527,783	2,629,496
2018	661,602	268,209	188,015	1,527,783	2,645,609
2019	674,007	270,576	189,899	1,527,783	2,662,265
Thereafter	22,336,424	11,213,277	5,789,742	16,518,335	55,857,778
Total	$ 25,587,253	$ 12,542,725	$ 6,720,583	$ 24,157,250	$ 69,007,811

All loans noted above are secured by the underlying value of the real estate collateral, improvements, easements of other interests, assignments of rents and leases and personal property.

Note 6 - Asset management fee

FHFC, in its capacity as asset manager of the OGA-LTD and CCA-LTD projects, is to be paid an annual cumulative asset management fee. The fee equal to $3,000 per project, per year, commencing on the closing dates. The asset management fee is paid to the FHFC or the appointed loan servicer for reviewing informational reports, financial statements, and other financial, program, and compliance reports as required by TCAP. The fee is payable to the extent of available cash flow and unpaid fees accrue without interest. During 2014 and 2013, asset management fees of $3,000 and $3,000, respectively, were incurred by OGA-LTD and $3,000 and $3,000, respectively, remained payable. During 2014 and 2013, asset management fees of $3,000 and $3,000, respectively, were incurred by CCA-LTD and $3,000 and $3,000, respectively, remained payable. These amounts are included in other accrued expenses on the accompanying consolidated statements of financial position.

Note 7 - Partner's capital contributions

Live Oak Villas, Ltd.

Pursuant to the partnership agreement, the investor limited partner of LOVI-LTD was required to make capital contributions of $7,295,173. As of December 31, 2014 and 2013, all required capital contributions had been received. In addition to the required capital contributions, LOVI-LTD received an upward tax credit adjuster of $117,419 during 2006.

Live Oak Villas II, Ltd.

Pursuant to the partnership agreement, the investor limited partner of LOVII-LTD was required to make capital contributions of $11,449,205. As of December 31, 2014 and 2013, all required capital contributions had been received, less a downward tax credit adjuster of $35,734 received during 2009.

Oaks at Shannon's Crossing, LP

Pursuant to the partnership agreement, the investment limited partner of OSC is required to make capital contributions of $9,455,565. As of December 31, 2014 and 2013, the investor limited partner had made capital contributions of $9,455,565 and $9,455,565, respectively, less a downward tax credit adjuster of $435,011 received during 2009.

Eden Gardens Apartments, LP

Pursuant to the partnership agreement, the limited partner of EGALP is required to make capital contributions of $2,840,716. As of December 31, 2014 and 2013, the limited partner had made contributions of $2,316,297 and $2,316,297, respectively, and is required to contribute $524,419 in additional installments, as defined. The total capital contribution required by the limited partner is subject to adjustment if certain annual tax credit benchmarks are not attained, as defined.

Orchid Grove Apartments, Ltd.

Pursuant to the partnership agreement, the partners of OGA-LTD are required to make aggregate capital contributions totaling $100. The limited partner is required to a make capital contribution of $99.99, which remains payable as of December 31, 2014 and 2013. The managing general partner is required to make a capital contribution of $0.0033 and OA is required to make a capital contribution of $0.0067, which has been paid as of December 31, 2014 and 2013.

Cypress Cove Apartments, Ltd.
Pursuant to the partnership agreement, the partners of CCA-LTD are required to make aggregate capital contributions totaling $100. The limited partner is required to a make capital contribution of $99.99, the special limited partner is required to make a capital contribution of $0.0033, and CC is required to make a capital contribution of $0.0067. As of December 31, 2014, these capital contributions have not been made. Upon achievement of stabilization, the limited partner is required to contribute an additional $650 to CCA-LTD. During 2011, this additional contribution was paid.

Note 8 - Pension plan
The Corporation has a 401(k) profit sharing plan (the Plan) for the exclusive benefit of its employees. The Plan covers all employees who have attained the age of 21 and completed three months of service. The Corporation provides qualified non-elective contributions of 3 percent of compensation for all eligible employees. Additional discretionary contributions of 4.3 percent of compensation up to $21,000 and 8.6 percent of compensation in excess of $21,000 may be made by the Corporation. The additional contributions vest proportionately over a three-year period. The Corporation's contributions for the years ended December 31, 2014 and 2013 were $146,427 and $144,001, respectively, and are included in project administration expenses on the accompanying consolidated statements of activities.

Note 9 - Property management fees
Professional Management, Inc. is an unrelated management company that oversees the operations of LOVI-LTD, LOVII-LTD, OGA-LTD, and CCA-LTD. The current management agreements for LOVI-LTD and LOVII-LTD provide for monthly fees equal to the greater of $2,500 or 5 percent of gross collections, as defined. The current management agreements for OGA-LTD and CCA-LTD provide for monthly fees equal to the greater of $3,500 or 5 percent of gross collections, as defined. For the years ended December 31, 2014 and 2013, property management fees of $142,754 and $140,531, respectively, were incurred and $589 and $965, respectively remain payable.

Note 10 - Concentration of credit risk
The Corporation maintains its cash balances in multiple financial institutions. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect these balances as of December 31, 2014 and 2013.

Note 11 - Current vulnerability due to certain concentrations
The Corporation's principal assets are its rental units. The Corporation's operations are concentrated in the affordable housing real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the projects are subject to the administrative directives, rules, and regulations of federal, state and local regulatory

agencies, including, but not limited to, Rural Development and the State Housing Agency. Such administrative directives, rules and regulations are subject to change by an Act of Congress or an administrative change mandated by Rural Development or the State Housing Agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

Note 12 - Commitments and contingencies

Farm labor requirement

In accordance with the loan agreements with the USDA, EFV, OSC, MSV, EGALP, MV and LOVI-LTD designated their projects as farm labor projects. 100 percent of the EFV, OSC, MSV and EGALP units and 62 of the MV units must be rented to eligible farm workers, as defined. In 2010, the USDA granted OSC a two-year exemption from this requirement. 60 percent of LOVI-LTD's units must be rented to eligible farm workers, as defined.

Operating deficit guaranty

In connection with the development of the tax credit projects, LOVI, LOVII and SCL are required to loan the respective partnerships amounts to cover operating deficits for 36 months following rental achievement, as defined. The maximum amount of operating loans ranges from $175,000 to $325,000 and advances are repayable only from available cash flows, as defined. The operating deficit ran out on February 28, 2012. Any loan made after that date is considered a due to affiliate. During 2014 and 2013, ECA made loans of $- and $52,185, respectively, to LOVII-LTD (see also Note 4). The balances between ECA and LOVII-LTD have been eliminated and are not included on the accompanying consolidating statements of financial position.

Pursuant to the mortgage loan documents, OA and CC are required to advance funds to their respective partnerships to cover operating deficits of the related projects. OA and CC are liable to fund 20% of any operating deficits of their respective partnerships, until such time that the managing general partners are released from their guarantees under the mortgage loan documents by the FHFC. Any advances will be treated as subordinate loans repayable with interest. As of December 31, 2014 and 2013, no operating deficit advances have been made.

Pursuant to the partnership agreement, CSS is required to loan EGALP amounts not to exceed $200,000 to cover operating deficits of the project beginning with the achievement of breakeven operations, as defined, and continuing for five years or the achievement of a debt coverage ratio of 1 to 1 over a consecutive 12-month period, whichever is later. Operating deficit advances are non-interest bearing and are repayable only from available cash flows, as defined. As of December 31, 2014 and 2013, no operating deficit advances have been made.

Development deficit guaranty

LOVII, SCL, CSS, OA, and CC have guaranteed to the performance and payment obligations of the developer under the development agreement to the respective partnerships and their limited partners. As of December 31, 2014 and 2013, no development deficit advances have been made.

Operating reserve

Pursuant to the partnership agreement of EGALP, CSS is required to maintain an operating reserve account of $50,000 through the end of the tax credit period, as defined. The operating reserve account will be funded out of the limited partner's third and fourth capital contribution installments or the proceeds from the permanent loan, whichever is available first. As of December 31, 2014 and 2013, the limited partner had not made its final capital contribution and accordingly, the reserve had not been funded. As of December 31, 2014 and 2013, no funding of the operating reserve was required (see also Note 3).

Exchange funds

The exchange funds of the affordable housing partnerships are contingent on their ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in repayment of exchange funds.

Low-income housing tax credits

The low-income housing tax credits of the affordable housing partnerships are contingent on their ability to maintain compliance with applicable sections of Section 42 of the Internal Revenue Code. Failure to maintain compliance with tenant income eligibility and rent limits or to correct instances of noncompliance within a reasonable time period could result in recapture of previously claimed tax credits plus interest. In addition, any such noncompliance, if it were to occur, likely would result in an adjustment to the contributed capital of the limited partners.

Construction contracts

OSC

OSC entered into a construction contract with WaterMark Construction, LP (WaterMark) for the construction of the project for $9,434,691, including all change orders. As of December 31, 2014 and 2013, the full amount of the contract had been incurred. During the year ended December 31, 2012, OSC made payments of $46,000 and the payable was repaid in full due to a reduced settlement amount at the conclusion of the litigation (See Note 13).

ESH

ESH entered into a construction contract with WaterMark for the construction of the project for $638,418, including all change orders. As of December 31, 2014 and 2013, the full amount of the contract had been incurred and retainage of $43,315 and $32,640 remained payable, respectively. These amounts are included in construction costs payable on the accompanying consolidated statements of financial position. (See Note 13).

EFV 4

EFV 4 entered into a construction contract with Naroca Construction Company for the construction of the project for $2,281,155, including all change orders. As of December 31, 2014 and 2013, $2,301,868 and $1,597,780, respectively, had been incurred. As of December 31, 2014 and 2013, $182,916 and $263,040, respectively, remained payable, including retainage of $230,187 and $159,778, respectively. These amounts are included in construction costs payable on the accompanying consolidated statement of financial position.

EGALP

On March 9, 2007, EGALP entered into an agreement with WaterMark for the construction of the project for $4,698,961 including all change orders. As of December 31, 2014 and 2013, the full amount of the contract had been incurred and retainage of $263,683 and $281,228, respectively, remained payable. These amounts are included in construction costs payable on the accompanying consolidated statements of financial position. (See Note 13).

EGII

On March 9, 2007, EGII entered into an agreement with WaterMark for the construction of the project for $4,760,364, including all change orders. As of December 31, 2014 and 2013, the full amount of the contract had been incurred and retainage of $329,613 and $290,820, respectively, remained payable, respectively. These amounts are included in construction costs payable on the accompanying consolidated statements of financial position. (See Note 13).

Note 13 - Litigation

In April 2010, WaterMark placed liens on all three phases of the EGA project and the OSC project, and filed litigation against the Corporation for $600,000. The litigation alleges the Corporation improperly retained liquidated damages due to WaterMark's late completion of the EGA and OSC projects. In December 2012, Watermark and OSC settled for a payment of $46,000. OSC paid this amount as of December 31, 2012, at which time the lien was removed.

The three phases of the EGA project plan to defend the litigation and assert a counterclaim against WaterMark. During 2012, WaterMark added the architect and engineer to the lawsuit. The case was tried before a jury in August 2014 and returned a verdict in favor of WaterMark for a total judgment of $2,000,000 (See also Note 12).

Note 14 - Subsequent events

Events that occur after the consolidated statement of financial position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date, require disclosure in the accompanying notes. Management evaluated the activity of the Corporation through May 15, 2015 (the date the consolidated financial statements were available to be issued) and concluded that except as disclosed in Notes 12 and 13 above, no subsequent events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the Notes to the Consolidated Financial Statements.

Supplementary Information

Rural Neighborhoods, Inc. and Its Affiliates

Consolidating Statement of Financial Position
December 31, 2014

	RNI	ECA	BCHC	LMHC	EHT	EHG	PCSH	Eliminations	Total
Assets									
Current assets									
Cash	$ 3,515,161	$ 914,783	$ 334,067	$ 62,039	$ 486,827	$ 36,276	$ 47,273	$ -	$ 5,396,426
Accounts receivable - tenants	-	112,664	8,454	7,782	1,064	-	-	-	129,964
Miscellaneous receivables	303,360	-	-	-	-	-	-	-	303,360
Rental assistance receivables	-	167,449	59,735	34,220	-	-	-	-	261,404
Grant receivables	-	82,887	-	-	-	-	-	-	82,887
Due from affiliates	160,500	-	-	-	-	246,126	-	(394,141)	12,485
Interest receivable - affiliates	112,388	-	-	-	-	-	-	(112,388)	-
Notes receivable - affiliates	4,611,680	840,000	-	-	-	-	-	(5,421,680)	30,000
Developer fee receivable	931,955	-	-	-	-	-	-	(931,955)	-
Prepaid expenses	18,035	335,085	10,585	29,989	22,263	5,963	-	-	421,920
Total current assets	9,653,079	2,452,868	412,841	134,030	510,154	288,365	47,273	(6,860,164)	6,638,446
Deposits and reserves									
Tenants' security deposits	-	320,577	58,200	45,200	118,121	-	-	-	542,098
Mortgage escrows	-	422,687	67,549	47,149	108,554	-	-	-	645,939
Replacement reserves	-	4,341,811	520,067	357,806	176,674	129,688	-	-	5,526,046
Debt service reserves	-	420,215	280,592	30,001	-	-	-	-	730,808
Operating reserves	-	27,217	-	-	917,087	-	-	-	944,304
Other deposits	-	50,377	400	6,870	5,650	61,784	-	-	125,081
Total deposits and reserves	-	5,582,884	926,808	487,026	1,326,086	191,472	-	-	8,514,276
Rental property									
Land	-	4,435,224	1,013,486	372,195	3,139,500	-	348,000	-	9,308,405
Land improvements	-	5,418,451	2,229,170	996,966	820,365	-	-	-	9,464,952
Buildings and improvements	-	85,049,328	19,928,667	10,314,497	22,866,989	-	-	(4,176,453)	133,983,028
Furniture and equipment	9,030	1,888,629	240,175	235,029	1,863,661	235,698	-	-	4,472,222
Construction in progress	-	3,141,231	79,800	-	-	-	504,931	-	3,725,962
Total rental property	9,030	99,932,863	23,491,298	11,918,687	28,690,515	235,698	852,931	(4,176,453)	160,954,569
Less accumulated depreciation	(5,576)	(24,419,134)	(4,503,012)	(2,445,058)	(3,560,331)	(221,946)	-	-	(35,155,057)
Net rental property	3,454	75,513,729	18,988,286	9,473,629	25,130,184	13,752	852,931	(4,176,453)	125,799,512
Other assets									
Deferred loan costs, net	-	291,295	42,286	66,320	63,312	-	-	-	463,213
Tax credit monitoring fees, net	-	214,055	44,207	-	253,496	-	-	-	511,758
Other assets	-	-	258,239	-	-	228	-	-	258,467
Total other assets	-	505,350	344,732	66,320	316,808	228	-	-	1,233,438
Total assets	$ 9,656,533	$ 84,054,831	$ 20,672,667	$ 10,161,005	$ 27,283,232	$ 493,817	$ 900,204	$ (11,036,617)	$ 142,185,672

Rural Neighborhoods, Inc. and Its Affiliates

Consolidating Statement of Financial Position
December 31, 2014

	RNI	ECA	BCHC	LMHC	EHT	EHG	PCSH	Eliminations	Total
Liabilities and net assets									
Current liabilities									
Accounts payable	$ 22,796	$ 238,630	$ 122,964	$ 21,925	$ 162,115	$ -	$ 17,200	$ (394,141)	$ 191,489
Accrued expenses	47,954	158,077	63,615	37,121	59,144	105,667	-	-	471,578
Accrued interest payable	-	166,114	165,958	94,597	-	-	-	-	426,669
Accrued interest - affiliate notes payable	-	-	-	-	-	-	7,000	(7,000)	-
Accrued investor services management fee	-	5,970	-	-	-	-	-	-	5,970
Construction costs payable	-	324,867	605,669	-	-	-	-	-	930,536
Current portion of mortgages payable	-	627,263	261,250	182,474	1,527,783	-	-	-	2,598,770
Total current liabilities	70,750	1,520,921	1,219,456	336,117	1,749,042	105,667	24,200	(401,141)	4,625,012
Deposits and prepayments									
Tenant security deposits	-	319,077	45,200	45,200	118,121	-	-	-	527,598
Prepaid rents	-	35,377	15,125	5,122	8,957	-	-	-	64,581
Total deposits and prepayments	-	354,454	60,325	50,322	127,078	-	-	-	592,179
Long-term liabilities									
Due to affiliates	-	-	240,577	-	-	-	-	-	240,577
Developer fee payable	-	1,699,061	1,478,291	-	-	-	-	(1,037,343)	2,140,009
Notes payable - affiliates	-	3,269,374	1,286,306	-	-	-	866,000	(5,421,680)	-
Deferred revenue	-	-	-	-	3,819,456	-	-	-	3,819,456
Mortgages payable, net of current portion	-	24,959,990	12,281,475	6,538,109	22,629,467	-	-	-	66,409,041
Total long-term liabilities	-	29,928,425	15,286,649	6,538,109	26,448,923	-	866,000	(6,459,023)	72,609,083
Commitments and contingencies	-	126,448	1,873,552	-	-	-	-	-	2,000,000
Non-controlling interest in subsidiaries	-	19,447,399	941,266	-	(437,841)	-	-	-	19,950,824
Unrestricted net assets	8,899,083	32,677,184	1,291,419	3,236,457	(603,970)	388,150	10,004	(4,176,453)	41,721,874
Permanently restricted net assets	686,700	-	-	-	-	-	-	-	686,700
Total net assets	9,585,783	32,677,184	1,291,419	3,236,457	(603,970)	388,150	10,004	(4,176,453)	42,408,574
Total liabilities and net assets	$ 9,656,533	$ 84,054,831	$ 20,672,667	$ 10,161,005	$ 27,283,232	$ 493,817	$ 900,204	$ (11,036,617)	$ 142,185,672

Rural Neighborhoods, Inc. and Its Affiliates

Consolidating Statement of Financial Position
December 31, 2013

Assets	RNI	ECA	BCHC	LMHC	EHT	EHG	PCSH	Eliminations	Total
Current assets									
Cash	$ 3,997,211	$ 1,079,251	$ 243,858	$ 61,014	$ 383,448	$ 770	$ 13,560	$ -	$ 5,779,112
Accounts receivable - tenants	-	21,843	2,088	3,430	2,347	-	-	-	29,708
Miscellaneous receivables	237,848	-	-	-	-	-	26	-	237,874
Rental assistance receivables	-	228,298	53,994	33,480	-	-	-	-	315,772
Grant receivables	-	124,904	-	-	-	-	-	-	124,904
Due from affiliates	108,304	-	29,400	-	-	256,567	-	(348,403)	45,868
Interest receivable - affiliates	93,503	-	-	-	-	-	-	(93,503)	-
Notes receivable - affiliates	4,291,741	840,000	-	-	-	-	-	(5,071,741)	60,000
Developer fee receivable	931,955	-	-	-	-	-	-	(931,955)	-
Prepaid expenses	15,722	367,277	10,163	29,042	21,900	2,750	-	-	446,854
Total current assets	9,676,284	2,661,573	339,503	126,966	407,695	260,087	13,586	(6,445,602)	7,040,092
Deposits and reserves									
Tenants' security deposits	-	307,765	27,400	37,200	114,316	-	-	-	486,681
Mortgage escrows	-	385,015	28,668	44,102	197,324	-	-	-	655,109
Replacement reserves	-	3,843,299	450,897	375,841	128,364	129,440	-	-	4,927,841
Debt service reserves	-	377,227	176,062	29,866	-	-	-	-	583,155
Operating reserves	-	27,185	-	-	915,239	-	-	-	942,424
Other deposits	-	51,979	400	6,870	5,825	58,708	-	-	123,782
Total deposits and reserves	-	4,992,470	683,427	493,879	1,361,068	188,148	-	-	7,718,992
Rental property									
Land	-	4,435,224	869,486	372,195	3,139,500	-	348,000	-	9,164,405
Land improvements	-	5,415,639	2,229,170	996,966	820,365	-	-	-	9,462,140
Buildings and improvements	-	84,766,815	19,928,667	10,314,497	22,866,989	-	-	(4,156,453)	133,720,515
Furniture and equipment	9,030	1,850,154	214,177	235,029	1,863,661	289,280	-	-	4,461,331
Construction in progress	-	2,183,475	9,767	-	-	-	164,114	-	2,357,356
Total rental property	9,030	98,651,307	23,251,267	11,918,687	28,690,515	289,280	512,114	(4,156,453)	159,165,747
Less accumulated depreciation	(4,486)	(21,863,751)	(3,843,663)	(2,109,654)	(2,667,747)	(260,664)	-	-	(30,749,965)
Net rental property	4,544	76,787,556	19,407,604	9,809,033	26,022,768	28,616	512,114	(4,156,453)	128,415,782
Other assets									
Deferred loan costs, net	-	323,470	44,060	68,697	69,204	-	-	-	505,431
Tax credit monitoring fees, net	-	242,477	48,923	-	275,888	-	-	-	567,288
Other assets	-	-	523,094	-	-	1,599	-	-	524,693
Total other assets	-	565,947	616,077	68,697	345,092	1,599	-	-	1,597,412
Total assets	$ 9,680,828	$ 85,007,546	$ 21,046,611	$ 10,498,575	$ 28,136,623	$ 478,450	$ 525,700	$ (10,602,055)	$ 144,772,278

Rural Neighborhoods, Inc. and Its Affiliates

Consolidating Statement of Financial Position
December 31, 2013

Liabilities and net assets	RNI	ECA	BCHC	LMHC	EHT	EHG	PCSH	Eliminations	Total
Current liabilities									
Accounts payable	$ 49,331	$ 193,942	$ 97,615	$ 24,522	$ 125,402	$ 182	$ 14,700	$ (340,099)	$ 165,595
Accrued expenses	66,397	135,291	60,973	37,263	36,265	92,007	-	(8,304)	419,892
Accrued interest payable	-	129,324	143,280	89,936	13,191	-	-	-	375,731
Accrued interest - affiliate notes payable	-	-	-	-	-	-	7,000	(7,000)	-
Accrued investor services management fee	-	5,796	-	-	-	-	-	-	5,796
Construction costs payable	-	325,680	573,254	-	-	-	-	-	898,934
Current portion of mortgages payable	131,250	575,579	254,294	180,664	1,527,783	-	-	-	2,669,570
Total current liabilities	246,978	1,365,612	1,129,416	332,385	1,702,641	92,189	21,700	(355,403)	4,535,518
Deposits and prepayments									
Tenant security deposits	-	307,265	27,400	37,200	114,316	-	-	-	486,181
Prepaid rents	-	28,066	3,299	4,097	13,547	-	-	-	49,009
Total deposits and prepayments	-	335,331	30,699	41,297	127,863	-	-	-	535,190
Long-term liabilities									
Due to affiliates	-	-	517,511	85,000	-	-	-	(85,000)	517,511
Developer fee payable	-	1,654,406	1,478,291	-	210,000	-	-	(1,018,458)	2,324,239
Notes payable - affiliates	-	3,177,374	1,220,367	-	-	95,000	494,000	(4,986,741)	-
Deferred revenue	-	-	-	-	2,864,592	-	-	-	2,864,592
Mortgages payable, net of current portion	-	25,633,947	12,549,471	6,722,679	24,157,250	-	-	-	69,063,347
Total long-term liabilities	-	30,465,727	15,765,640	6,807,679	27,231,842	95,000	494,000	(6,090,199)	74,769,689
Commitments and contingencies	-	-	-	-	-	-	-	-	-
Non-controlling interest in subsidiaries	-	20,341,267	1,881,565	-	(579,773)	-	-	-	21,643,059
Unrestricted net assets	9,022,150	32,499,609	2,239,291	3,317,214	(345,950)	291,261	10,000	(4,156,453)	42,877,122
Permanently restricted net assets	411,700	-	-	-	-	-	-	-	411,700
Total net assets	9,433,850	32,499,609	2,239,291	3,317,214	(345,950)	291,261	10,000	(4,156,453)	43,288,822
Total liabilities and net assets	$ 9,680,828	$ 85,007,546	$ 21,046,611	$ 10,498,575	$ 28,136,623	$ 478,450	$ 525,700	$ (10,602,055)	$ 144,772,278

Rural Neighborhoods, Inc. and Its Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2014

	RNI	ECA	BCHC	LMHC	EHT	EHG	PCSH	Eliminations	Total
Rental revenue									
Potential rental revenue	$ -	$ 6,581,730	$ 1,366,740	$ 984,120	$ 1,258,668	$ -	$ -	$ -	$ 10,191,258
Less: Vacancies and concessions	-	(351,852)	(51,013)	(129,914)	(33,162)	-	-	-	(565,941)
Total rental revenue	-	6,229,878	1,315,727	854,206	1,225,506	-	-	-	9,625,317
Other revenue									
Application fees	-	15,116	1,822	8,514	5,775	-	-	-	31,227
Laundry and vending	-	93,096	-	-	79,151	8,742	-	-	180,989
Interest income	36,617	39,532	1,628	1,071	2,585	248	4	-	81,685
Interest income - related party	21,598	4,000	-	-	-	-	-	(25,598)	-
Tenant charges	-	104,469	13,087	73,860	39,817	-	-	-	231,233
Property management fees	-	-	-	-	-	599,860	-	(559,860)	40,000
Income from forgiveness of debt	131,250	-	-	-	572,919	-	-	-	704,169
Developer fee income	20,000	-	-	-	-	-	-	(20,000)	-
Grant revenue	408,625	917,303	275,000	-	-	-	-	(275,000)	1,325,928
Miscellaneous revenue	172,698	178,803	-	11,991	114,043	65,261	-	140,400	683,196
Total other revenue	790,788	1,352,319	291,537	95,436	814,290	674,111	4	(740,058)	3,278,427
Expenses									
Operating and maintenance	-	1,954,812	300,238	216,152	279,087	17,350	-	-	2,767,639
Utilities	-	630,252	82,908	127,307	75,906	-	-	-	916,373
Project administration expenses	341,607	1,243,632	2,131,318	149,083	617,367	541,417	-	140,400	5,164,824
Management fees	-	466,329	96,800	58,600	80,885	-	-	(559,860)	142,754
Taxes and insurance	21,158	808,852	118,854	62,562	166,704	6,868	-	-	1,184,998
Bad debt expense	-	54,467	2,096	6,716	4,367	-	-	-	67,646
Interest on note payable - affiliates	-	-	6,713	-	-	-	-	(6,713)	-
Interest on deferred developer fee	-	56,671	-	-	-	-	-	(18,885)	37,786
Interest on mortgages payable	-	461,525	90,669	72,198	-	-	-	-	624,392
Total expenses	362,765	5,676,540	2,829,596	692,618	1,224,316	565,635	-	(445,058)	10,906,412
Income (loss) from operations	428,023	1,905,657	(1,222,332)	257,024	815,480	108,476	4	(295,000)	1,997,332
Non-operating expenses									
Investor services management fee	-	5,970	-	-	-	-	-	-	5,970
Depreciation expense	1,090	2,555,383	659,349	335,404	892,584	11,587	-	-	4,455,397
Amortization expense	-	60,597	6,490	2,377	28,284	-	-	-	97,748
Total non-operating expenses	1,090	2,621,950	665,839	337,781	920,868	11,587	-	-	4,559,115
Change in net assets before non-controlling interest	426,933	(716,293)	(1,888,171)	(80,757)	(105,388)	96,889	4	(295,000)	(2,561,783)
Non-controlling interest in earnings of subsidiaries	-	893,868	940,299	-	(141,932)	-	-	-	1,692,235
Change in net assets	$ 426,933	$ 177,575	$ (947,872)	$ (80,757)	$ (247,320)	$ 96,889	$ 4	$ (295,000)	$ (869,548)

Rural Neighborhoods, Inc. and Its Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2013

	RNI	ECA	BCHC	LMHC	EHT	EHG	PCSH	Eliminations	Total
Rental revenue									
Potential rental revenue	$ -	$ 6,513,459	$ 1,345,320	$ 987,920	$ 1,240,066	$ -	$ -	$ -	$10,086,765
Less: Vacancies and concessions	-	(420,983)	(31,045)	(164,347)	(44,557)	-	-	-	(660,932)
Total rental revenue	-	6,092,476	1,314,275	823,573	1,195,509	-	-	-	9,425,833
Other revenue									
Application fees	-	16,865	2,135	8,481	6,150	-	-	-	33,631
Laundry and vending	-	92,926	-	-	74,323	9,003	-	-	176,252
Interest income	36,293	32,772	1,508	1,232	3,395	313	-	-	75,513
Interest income - related party	20,989	4,000	-	-	-	-	-	(24,989)	-
Tenant charges	-	79,396	16,188	74,083	35,768	-	-	-	205,435
Property management fees	-	-	-	-	-	558,602	-	(558,602)	-
Development fees	-	-	-	-	-	-	-	-	-
Income from forgiveness of debt	150,000	-	-	-	572,919	-	-	-	722,919
Grant revenue	392,125	(308)	-	-	-	-	-	-	391,817
Miscellaneous revenue	94,263	535,682	619	9,635	13,559	52,141	-	(96,000)	609,899
Total other revenue	693,670	761,333	20,450	93,431	706,114	620,059	-	(679,591)	2,215,466
Expenses									
Operating and maintenance	-	1,871,929	241,890	187,269	293,283	17,138	-	-	2,611,509
Utilities	-	586,453	81,420	118,577	72,997	-	-	-	859,447
Project administration expenses	408,678	1,081,104	250,663	158,617	363,891	508,879	-	(96,000)	2,675,832
Management fees	-	464,881	97,900	58,300	78,052	-	-	(558,602)	140,531
Taxes and insurance	8,929	834,449	112,354	58,977	171,087	11,735	-	-	1,197,531
Bad debt expense	-	26,819	2,564	3,269	13,257	-	-	-	45,909
Interest on note payable - affiliates	-	-	6,713	-	-	-	-	(6,713)	-
Interest on deferred development fee	-	54,807	-	-	-	-	-	(18,276)	36,531
Interest on mortgages payable	-	457,342	93,011	71,928	17,724	-	-	-	640,005
Total expenses	417,607	5,377,784	886,515	656,937	1,010,291	537,752	-	(679,591)	8,207,295
Income (loss) from operations	276,063	1,476,025	448,210	260,067	891,332	82,307	-	-	3,434,004
Non-operating expenses									
Investor services management fee	-	17,214	-	-	-	-	-	-	17,214
Construction in progress	-	162	-	-	-	-	-	-	162
Depreciation expense	909	2,563,725	668,595	340,897	892,584	15,450	-	-	4,482,160
Amortization expense	-	60,596	6,490	2,377	28,284	-	-	-	97,747
Total non-operating expenses	909	2,641,697	675,085	343,274	920,868	15,450	-	-	4,597,283
Change in net assets before non-controlling interest	275,154	(1,165,672)	(226,875)	(83,207)	(29,536)	66,857	-	-	(1,163,279)
Non-controlling interest in earnings of subsidiaries	-	925,725	61,364	-	(167,506)	-	-	-	819,583
Change in net assets	$ 275,154	$ (239,947)	$ (165,511)	$ (83,207)	$ (197,042)	$ 66,857	$ -	$ -	$ (343,696)

Rural Neighborhoods, Inc.

Statements of Activities
Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
Other revenue						
Interest income	$ 36,617	$ -	$ 36,617	$ 36,293	$ -	$ 36,293
Interest income - related party	21,598	-	21,598	20,989	-	20,989
Developer fees	20,000	-	20,000	-	-	-
Income from forgiveness of debt	131,250	-	131,250	150,000	-	150,000
Grant revenue	133,625	275,000	408,625	117,125	275,000	392,125
Miscellaneous revenue	172,698	-	172,698	94,263	-	94,263
Total other revenue	515,788	275,000	790,788	418,670	275,000	693,670
Expenses						
Project administration expenses	341,607	-	341,607	408,678	-	408,678
Taxes and insurance	21,158	-	21,158	8,929	-	8,929
Total expenses	362,765	-	362,765	417,607	-	417,607
Income from operations	153,023	275,000	428,023	1,063	275,000	276,063
Non-operating expenses						
Depreciation expense	1,090	-	1,090	909	-	909
Total non-operating expenses	1,090	-	1,090	909	-	909
Change in net assets	$ 151,933	$ 275,000	$ 426,933	$ 154	$ 275,000	$ 275,154