SETTLEMENT HOUSING FUND, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENT
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2014

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES

INDEX

KOCH GROUP & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
333 Seventh Avenue
New York, NY 10001
(212) 631-0700 FAX (212) 631-0109

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Settlement Housing Fund, Inc. and Affiliates

We have audited the accompanying consolidated of financial statements of Settlement Housing Fund, Inc. and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 presents fairly, in all material respects, the financial position of Settlement Housing Fund, Inc. and Affiliates, as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2015, on our consideration of Settlement Housing Fund, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Settlement Housing Fund, Inc.'s internal control over financial reporting and compliance

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 27 through 28 and the Settlement Housing Fund, Inc. financial report on pages 29 through 35are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the 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.

Loeb Group & Company, LLP
Certified Public Accountants

New York, New York
September 24, 2015

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 3,028,538
Escrows and reserves	2,812,061
Tenants' security deposits	760,249
Investments	1,225,958
Grants and contributions receivable	568,341
Rents and other receivables	872,092
Other assets	1,608,253
Total Current Assets	10,875,492
FIXED ASSETS	
Property and equipment, net of accumulated depreciation of $36,074,211	62,089,593
OTHER ASSETS	
Fees receivable	297,958
Mortgage receivable	409,276
Other receivable	50,246
Deferred expenses, net accumulated amortization of $118,504	87,839
Total Assets	$ 73,810,404

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Current portion of long-term debt	$ 394,239
Accounts payable and accrued expenses	1,883,600
Accrued interest payable	255,454
Tenant security deposits payable	794,985
Current portion of deferred rent payable	10,875
Deferred revenue	232,939
Total Current Liabilities	3,572,092
OTHER LIABILITIES	
Long-term debt	47,977,871
Deferred rent payable	81,498
TOTAL LIABILITIES	51,631,461
COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Unrestricted	18,690,193
Noncontrolling interest	3,151,165
Temporary restricted	337,585
Total net assets	22,178,943
TOTAL LIABILITIES AND NET ASSETS	$ 73,810,404

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND OPERATING REVENUE			
Grants and contributions	$ 6,878,892	$ 337,585	$ 7,216,477
Special events, net	455,504	-	455,504
Program and other fees	1,273,822	-	1,273,822
Rental income	14,997,152	-	14,997,152
Interest and dividend income	305,906	-	305,906
Realized and unrealized gain on investments	54,200	-	54,200
Gain on sale of building	3,764,655	-	3,764,655
Other income	1,247,902	-	1,247,902
Bad debt recovery	37,296	-	37,296
Net assets released from restrictions	270,224	(270,224)	-
Total Public Support and Operating Revenue	29,285,553	67,361	29,352,914
EXPENSES			
Program services			
Development and technical assistance	6,847,204	-	6,847,204
Housing	17,616,026	-	17,616,026
Operational support services			
Management and general	2,213,188	-	2,213,188
Grants	1,551,704	-	1,551,704
Fundraising	496,257	-	496,257
Total Expenses	28,724,379	-	28,724,379
CHANGE IN NET ASSETS BEFORE LOSS ALLOCATED TO NONCONTROLLING OWNERSHIP INTEREST	561,174	67,361	628,535
LOSS ALLOCATED TO NONCONTROLLING OWNERSHIP INTEREST	137,700	-	137,700
CHANGE IN NET ASSETS	$ 698,874	$ 67,361	$ 766,235

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2014

NET ASSETS	Total	Temporarily Restricted	Unrestricted Controlling Interest	Unrestricted Noncontrolling Interest
Balance, January 1, 2014	$21,412,708	$ 270,224	$17,853,619	$ 3,288,865
Changes in net assets	766,235	67,361	$ 836,574	(137,700)
Balance, December 31, 2014	$22,178,943	$ 337,585	$18,690,193	$ 3,151,165

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	$ 766,235
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Realized and unrealized gain on investments	(54,200)
Depreciation	2,341,225
Amortization	131,869
Gain on sale of building	(3,764,655)
Rent	(21,311)
Changes in assets and liabilities	
Tenants' security deposits	(25,132)
Grants and contributions receivable	(281,359)
Fees receivable	226,858
Rents and other receivables	(118,720)
Other assets	(1,063,456)
Due to affiliate of general partner	(809,476)
Accounts payable and accrued expenses	769,045
Accrued interest payable	29,048
Tenant security deposits payable	24,816
Deferred revenue	16,541
Net cash used in operating activities	(1,832,672)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of building	9,680,250
Mortgage receivable	(19,490)
Due from affiliates	245,725
Other receivable	(50,246)
Investments	285,689
Property and equipment	(1,016,965)
Deferred expenses	(10,644)
Escrows and reserves	716,010
Net cash provided by investing activities	9,830,329
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of long-term debt	(7,869,974)
Net cash used in financing activities	(7,869,974)
NET INCREASE IN CASH AND CASH EQUIVALENTS	127,683
CASH AND CASH EQUIVALENTS	
Beginning of year	2,900,855
End of year	$3,028,538
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for Interest	$ 581,970

See notes to financial statements.

1. Organization

Settlement Housing Fund, Inc. (SHF) and Affiliates (collectively "the Organization") provides affordable housing, technical assistance, development services, social, recreational and cultural activities, events and after school programs for low income individuals and families, and transitional housing and day care for formerly homeless families in the City of New York.

Further, the Organization is affiliated with and control other nonprofit corporations and for profit limited partnerships and corporations which have been formed as supporting entities to further the Organization's objectives. These entities are included in the consolidated financial statements of the Organization in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") The following summarizes the entities comprising the Organization.

Semiperm Housing Development Fund Corp. (Semiperm)
Newset II HDFC (Newset)
Shuhab HDFC (Shuhab)
New Hull Street HDFC, Inc. (New Hull)
New Settlement Community Campus Corp. (NSCCC)
287 Housing Development Fund Corporation (287 HDFC)
The Crenulated Company, Ltd. (Crenulated)
The St. John's Place Family Center Housing Development Fund Corp. (St. John's HDFC)
The St. John's Place Family Center Day Care Corporation (St. John's Day Care)
Marcy Baer, Inc.
Marcy Baer Associates, LP
1615 St. John's Place, Inc.
1615 St. John's Place, LP

SHF was organized on August 20, 1969, under Section 402 of the Not-for-Profit Corporation Law and pursuant to Article XI of the Private Housing Finance Law ("Housing Development Fund Companies Law") of the State of New York. SHF is a not-for-profit charitable organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. SHF creates and sustains high quality affordable housing and programs, building strong and economically diverse neighborhoods throughout New York City. SHF works closely with community partners to provide low- and moderate-income New Yorkers with pathways to long-term affordable housing, education, employment and wellness. SHF provides technical assistance, development services and

1. Organization (Continued)

supervision to low and moderate income housing projects, including projects owned by SHF's affiliates and projects in which the Organization's affiliates are principals in joint ventures. Services include analyzing projects, choosing and supervising development teams, obtaining financing and subsidies, and supervising management and social services. SHF is supported primarily by fees charged for services provided and government, foundation and corporate contributions and grants.

Semiperm was formed as a nonprofit organization under the laws of the State of New York on May 2, 2006, and is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Semiperm was organized to operate a building in which single parent, formerly homeless families can live generally for two to five years, benefiting from education programs and task-oriented counseling so that they can attain self-sufficiency and the ability to live in permanent housing. In April 2008, Semiperm received a donation of a 36,000 square foot building, consisting of 24 residential units. Semiperm recorded the building at the market value as assessed by the New York City Department of Finance.

Newset II was formed as a nonprofit organization under the laws of the State of New York on September 14, 1999, and is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. The Company owns and operates two rental housing projects consisting of 53 units located in the Bronx, New York. Newset also provides a space for The Crenulated Company Ltd.'s College Access Program. The Organization also owns a 99% non-controlling ownership interest in Marcy Baer Associates LP and has recorded its investment in the partnership at $0. The equity method of accounting has been discontinued as the Organization is not liable for any of the Partnership's liabilities.

Shuhab was formed as a nonprofit organization under the laws of the State of New York on March 28, 2002, and is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Shuhab was organized to develop ten residential buildings containing 428 units that were acquired through the NYC Department of Housing Preservation and Development's Third Party Transfer Program and to convert these buildings to cooperative ownership or rental use. At December 31, 2014, nine buildings have been renovated and converted to either cooperative ownership or remain as rentals and one building remains in the renovation process.

1. Organization (Continued)

New Hull was formed as a nonprofit organization under the laws of the State of New York on December 12, 1990, and is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. New Hull owns and operates a 33 unit apartment project in Brooklyn, New York.

NSCCC was formed as a nonprofit organization under the laws of the State of New York on August 23, 2005, and is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. NSCCC was formed to develop a school facility and community center in the Mt. Eden section of the Southwest Bronx, New York. The land and buildings containing this facility are leased from the New York City School Construction Authority. Further, the Organization provides social, recreational and cultural activities, events and after-school programs in the community center to benefit the school and the surrounding community. The Organization has leased a portion of the building back to the New York City School Construction Authority. Rents for the premises are based on certain operating cost reimbursements that are adjusted annually. In 2011, NYCSCA assigned its interest in the lease to the New York City Department of Education.

287 HDFC was formed as a nonprofit corporation under the laws of the State of New York on January 24, 2013, and is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. 287 HDFC was organized for the purpose of acquiring, developing and managing an affordable housing project with 20 residential units that was transferred from Shuhab. The project was acquired on June 28, 2013.

Crenulated was formed as a nonprofit organization under the laws of the State of New York on April 21, 1989, and is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Crenulated owns and operates 14 buildings known as the New Settlement Apartments in the West Bronx, New York, as low and moderate income housing and housing for the homeless. In addition, Crenulated provides community programs for its tenants and neighborhood residents.

St. John’s HDFC was formed as a nonprofit organization under the laws of the State of New York on March 24, 1987, and is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. St. John’s HDFC owns and operates a facility in Brooklyn, New York, that provides transitional housing and ancillary services to displaced and homeless families and owns a small building acquired from the City which is being renovated for administrative use. St. John’s HDFC provided all management services to an adjoining property of permanent residential housing through September 30, 2014. Starting October 1, 2014, it only handled physical property management.

1. Organization (Continued)

St. John's Day Care was formed as a nonprofit organization under the laws of the State of New York on May 22, 2000, and is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. St. John's Day Care provides day care for children aged 2.5 to 5 years old to shelter residents in St. John's Place HDFC and the surrounding community. St. John's Day Care's main source of revenue is the New York City Administration for Children's Services.

SHF is the sole owner of the general partners which each own a percentage of their associated limited partnerships. These partnerships were formed to own individual properties which are developed to provide low-income housing:

General Partner	GP Interest of Limited Partnerships	Limited Partnership
Marcy Baer, Inc.	1%	Marcy Baer Associates, L.P.
1615 St. John's Place, Inc.	0.01%	1615 St. John's Place, L.P

SHF has a 50% cumulative partnership interest in Two Bridgeset Associates, L.P. This entity is being treated as an unconsolidated affiliate.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America as applicable to nonprofit entities.

b) Principles of Consolidation

Nonprofit Corporations. The accompanying financial statements of the Organization include the accounts of Settlement Housing Fund, Inc. and other nonprofit entities that are commonly controlled by SHF's officers or Board of Directors. All intercompany transactions and accounts have been eliminated in consolidation.

2. Summary of Significant Accounting Policies (Continued)

b) Principles of Consolidation (Continued)

Limited Partnerships. Partnerships that are controlled by Settlement Housing Fund are included in the consolidated financial statements. The general partnership interests held by SHF entities equal .01% to 1% of the respective limited partnerships' equity, with the remainder of the partnerships' equity held by the limited partners of the respective limited partnerships. The portion of the limited partnerships not owned by SHF affiliated entities is presented in the consolidated financial statements as noncontrolling interests.

c) Cash and Cash Equivalents

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash and equivalents. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

d) Property and Equipment

Property and equipment is stated at cost or, if donated, at estimated fair value at the date of donation. The cost of buildings and improvements is depreciated over estimated useful lives of 30 to 40 years. The cost of furniture and equipment is depreciated over estimated useful lives of three to seven years. When assets are disposed of, their costs and accumulated depreciation are removed from the accounts and resulting gains or losses are included in operations. Management generally capitalizes items in excess of $500.

e) Income Taxes

SHF, Semiperm, Newset, Shuhab, New Hull, NSCCC, 287 HDFC, Crenulated and St John's are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The subsidiaries of the Organization are treated as partnerships and corporations for tax purposes. Partnership taxable income or loss passes through to, and is reportable by, the partners, individually. The Corporations have been carrying losses that are carried forward for future netting against taxable income. These losses are carried forward for 20 years and then permanently suspended if unused. Losses carried forward should be computed as assets using the applicable tax rate and reported on the consolidated statement of financial position, subject to valuation allowance. In the case of the wholly-owned subsidiaries, it is more likely than not that the respective asset will never be realized as the possibility of net income or gain is unlikely for these corporations.

2. Summary of Significant Accounting Policies (Continued)

e) Income Taxes (Continued)

Therefore, no asset has been recognized in this financial report as the valuation allowance would equal 100% of the asset value.

Management has determined that SHF and its affiliated entities had no uncertain tax positions that would require financial statement recognition. SHF and its affiliates are no longer subject to income tax examination by federal, state or local tax authorities in the United States for years before 2011, which is the standard statute of limitations look-back period.

f) Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

g) Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. All contributions are due in one year and are recorded at their net realizable value.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in temporarily restricted net assets. It is SHF's policy to imply a

2. Summary of Significant Accounting Policies (Continued)

g) Revenue Recognition (Continued)

time restriction, based on the assets' estimated useful lives, on such property and equipment. SHF reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to such property and equipment.

Contributions of in-kind services are recorded at fair value at date of service.

Grants included as increases in unrestricted net assets are recognized as revenue during the period the related services are provided or during the period the related costs are incurred. Funds received prior to providing services or prior to incurring the related costs are deferred to future periods.

Rental income, principally from short-term leases on apartment units, is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the consolidated partnerships and tenants of the property are operating leases.

The Organization receives supervisory fees from several of its affiliated projects. In addition, the Organization provides services, such as marketing, to unaffiliated projects. The fees are recognized as revenue when earned.

h) Functional Allocation of Expenses

Costs and expenses of various programs and other activities have been analyzed on a functional basis. Accordingly, all costs and expenses incurred have been allocated among the programs and supporting services benefited.

i) Investments

Investments are stated at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' declines, and that such changes could materially affect the amounts reported in the consolidated financial statements.

2. Summary of Significant Accounting Policies (Continued)

j) Deferred Expenses

Deferred expenses are amortized over their estimated useful lives.

k) Impairment of Long-Lived Assets

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2014.

3. Fixed Assets

A summary of fixed assets in as follows:

		Useful lives
Land	$ 817,929	
Building and improvements	92,669,177	40 years
Furniture, fixtures and equipment	4,676,698	5-10 years
	98,163,804	
Less: Accumulated depreciation	(36,074,211)	
	$62,089,593	

In 2014, Shuhab sold the buildings at 22-24 Mt. Morris Avenue, Bronx, NY, for $9,680,250 resulting in a gain of $3,764,655.

4. Escrows and Reserves

Pursuant to the terms of loan and partnership agreements, operating and replacement reserves and escrow deposits have been established by the various projects. Operating reserves are to be used for funding operating deficits of the projects and replacement reserves are to be used for the future improvement and replacement for the rental properties

5. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2014, are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate fixed income	$353,671	$ -	$ 353,671	$ -
Stocks and Mutual funds	528,529	528,529		-
Captive insurer organization	343,758	-		343,758
Total	$1,225,958	$528,529	$353,671	$343,758

All assets have been valued using a market approach, except for Level 3 assets. Level 3 assets are valued using the income approach. Fair values of assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. Fair values for assets in Level 3 are calculated using assumptions about discounted cash flow and other present value techniques. There were no changes in the valuation techniques during the current year.

6. Grants and Contributions Receivable

Grants and contributions receivable are due as follows:

Contributions receivable - individuals	$ 17,500
Grants receivable	550,841
Total	$568,341

At December 31, 2014, all grants and contributions receivable are from unrestricted net assets.

7. Related Party Transactions

a) Annual Fees

SHF earns annual fees from its affiliated and unaffiliated entities, including partnership management fees for services related to reporting and monitoring operations, supervisory fees for services performed in the supervision and development of certain operating procedures, and accounting and data processing fees for services performed in maintaining the books and records of the entities.

b) Developer Fees

As of December 31, 2014, SHF is due $186,217. SHF expects to collect a portion of the fee within the next twelve months but the amount cannot be determined.

8. Loans Receivable

A Senior Fund Note in the amount of $8,827,851 dated August 11, 2011, from NSCCC was subsequently assigned to SHF. Interest only payments are due quarterly at 1% per annum through July 1, 2018. Beginning October 5, 2018, payments of principal and interest are due quarterly. The unpaid outstanding principal balance, together with any unpaid and accrued interest, is due on January 1, 2045.

A Junior Fund Note in the amount of $4,127,549 dated August 11, 2011, from NSCCC Investment Fund LLC to SHF and loaned to NSCCC requires interest only payments quarterly at 1% per annum. The principal balance of $4,127,549 is due on January 1, 2045.

Both notes have been eliminated in consolidation.

9. Mortgage Receivable

The loan to Two Bridgeset Associates, L.P. bears no interest and is due on October 29, 2025. The receivable is reported at its net present value using a discount rate of 5%. In 2008, SHF donated half the mortgage to the Two Bridges Neighborhood Council. As of December 31, 2014, the balance of SHF's 50% share of the receivable was $409,276.

10. Lease Commitment

SHF occupies its premises under a lease terminating September 14, 2017. The annual base rent was $222,938 from September 1, 2008 through September 1, 2009, and increases annually at 2.5% plus escalations for real estate tax and maintenance. SHF recognizes $243,899 per year of rental expense on a straight-line basis. Deferred rent payable at December 31, 2014, was $92,373.

Minimum future rental payments for each of the remaining three years and in the aggregate are:

Year	
2015	$260,694
2016	267,211
2017	192,403
Total	$720,308

11. Long-Term Debt

a) Newset II Housing Development Fund Corporation

Newset II has obtained a loan from the New York City Department of Housing Preservation and Development (HPD) in the principal amount of $2,698,931, secured by a mortgage on 1563 Walton Avenue, Bronx, New York. The loan is non-interest-bearing, requires no repayment of principal and will be forgiven on June 30, 2016, if the requirements of the loan are met.

b) Newset II Housing Development Fund Corporation (Continued)

Newset II has obtained a renovation loan from HPD in the principal amount of $580,183, secured by a mortgage on 1484 Inwood Avenue, Bronx, New York. As of December 31, 2014, $517,330 has been advanced under this loan. The loan bears interest at 3% per annum and requires monthly principal and interest payments in the amount of $2,498, with maturity of 29 years on June 1, 2043. The outstanding balance at December 31, 2014, was $506,300.

c) Shuhab

Shuhab has obtained a renovation loan from HPD in the principal amount of $331,283, secured by a first mortgage on 285 West 150th Street. The loan requires monthly payment of $2,244 of principal and interest at 7.18% per annum with final payment on January 1, 2041. The outstanding balance at December 31, 2014 was $317,109.

11. Long-Term Debt (Continued)

c) Shuhab (Continued)

Shuhab has obtained a loan from HPD in the principal amount of $2,793,005, secured by a second mortgage on 285 West 150th Street. The loan bears interest at a rate of .25% per annum. Principal and interest payments of $937 are due in monthly installments through maturity on January 1, 2041. The outstanding balance at December 31, 2014 was $2,776,590.

On June 28, 2012, Shuhab obtained three mortgages on 22-24 Mt. Morris Park West. 1st mortgage of $1,328,213 from HPD bears interest at a rate of 4.59% per annum. Principal and interest payments of $6,801 are due in monthly installments through maturity on July 1, 2042. 2nd mortgage of $4,066,451 from HPD bears interest at a rate of .25% per annum. Principal and interest payments of $3,118 are due in monthly installments through maturity on July 1, 2042. 3rd mortgage of $1,075,000 from HPD bears no interest and the principal is due on the earlier of July 1, 2027, or the occurrence of a default. All these mortgages were paid off in 2014 when the buildings were sold.

Shuhab has entered into a loan agreement with Bank of America to provide construction financing for the rehabilitation of 640 and 644 Riverside Drive, New York, New York. The loans bear interest at rates varying from 1.92% to 1.96%. This loan was to be paid in December 2011, and is in technical default. The outstanding balance at December 31, 2014, was $20,623,723. Bank of America has verbally extended the maturity to mid-2016 when 644 Riverside Drive converts to a cooperative and permanent financing, and 640 Riverside Drive is conveyed to an independent nonprofit.

d) 287 HDFC

Community Preservation Corporation (CPC) has committed construction and permanent financing of $1,543,659, bearing interest at LIBOR plus 4.8% (currently 6%). At March 1, 2016, the loan will convert to permanent financing requiring monthly payments of $8,044 of principal and interest at 4.28% with final payment due June 2042. The balance at December 31, 2014, was $1,184,781.

HPD has committed construction and permanent financing of $1,564,495 through Article XV Funds and $826,000 through HOME Funds. During construction the Article XV Funds bear interest at 1.25% and HOME Funds bear interest at .25%. On June 30, 2015, the loans will convert to permanent financing. The Article XV Funds will require monthly payments of interest only at 1% with a balloon payment of outstanding principal due in June 2045. The HOME Funds will be non-interest bearing and will be forgiven in June 2031 if all requirements of the mortgage have been met. The balances of the Article XV Funds and the HOME Funds at December 31, 2014, were $1,147,033 and $720,703, respectively.

11. Long-Term Debt (Continued)

e) New Hull

New Hull has obtained a loan from HPD in the principal amount of $2,070,057, bearing interest at 1% and a .25% service fee per annum, payable monthly. The principal and any unpaid interest and service fee are due at maturity on December 3, 2022.

New Hull has obtained a loan pursuant to Article VIII-A of the Private Housing Financing Law of the State of New York from HPD in the principal amount of $286,861. The loan bears no interest, and evaporates in June 2021.

f) New Settlement Community Campus Corp.

NSCCC has obtained a loan from Low Income Investment Fund in the principal amount of $9,700,000, with interest paid quarterly at an annual rate of 1.431% through June 30, 2018. Additional interest at a fixed rate of 0.442% is accrued on the unpaid principal balance until the maturity date. Commencing July 1, 2018, interest and principal will be paid quarterly through the maturity date of June 30, 2051. A portion of the interest payment is being funded from the LIIF Interest and Expense Reserve.

NSCCC has obtained a loan from New Markets Investment 62, LLC, in the principal amount of $7,920,000, with interest paid quarterly at an annual rate of 1.431% through June 30, 2018. Commencing July 1, 2018, interest and principal shall be paid quarterly through the maturity date of July 1, 2051. A portion of the interest payment is being funded from the NMI Interest and Expense Reserve.

$12,955,400 of these notes for which SHF is the beneficial owner has been eliminated in consolidation. See Note 8.

g) The Crenulated Company, Ltd.

Crenulated has obtained a loan from HPD in the principal amount of $831,000. The first $551,000 bears interest at 1% per annum, and the remainder of $280,000 is non-interest bearing and will be forgiven in September 2018. Monthly principal and interest payments are $2,655. The remaining unpaid principal and interest on the mortgage is due upon

11. Long-Term Debt (Continued)

g) The Crenulated Company, Ltd. (Continued)

maturity on September 1, 2023. As of December 31, 2014, $263,398 interest bearing and $280,000 non-interest bearing portions of the loan were outstanding.

Crenulated has a line of credit with Capital One N.A. Community Development Corporation, in an amount not to exceed $400,000. The line of credit is payable interest only at 3% per annum beginning on January 1, 2010 through maturity on June 30, 2014. The line of credit was renewed for three years with maturity on July 11, 2017, all with the same terms. As of December 31, 2014, $230,000 has been advanced and remains payable.

h) St John's Place Family Center HDFC

St. John's has obtained a loan from HPD in the aggregate amount of $2,010,990, for building renovations at 1604 St. John's Place, 1620 St. John's Place, and 1630 St. John's Place as follows*:*

> $1,508,242 of HOME Funds, with interest at 2% per annum payable in equal monthly interest-only installments of $2,512 through July 1, 2022. At maturity, the unpaid principal will be reduced to $0 and deemed paid as long as all interest payments were made on a timely basis and the related housing remains affordable. As of December 31, 2014, $1,508,242 has been advanced and remains unpaid.
>
> $502,748 Capital Fund, with interest at 3% per annum payable in equal monthly installments of $5,318 through July 1 2022. As of December 31, 2014, $502,748 has been advanced and $358,420 remains unpaid.
>
> The Department of Homeless Services has agreed to supplement the base per diem rate in an amount that is sufficient to meet all debt service payments.

St. John's HDFC entered into an unsecured agreement with TD Bank for a line of credit not to exceed $500,000. As of December 31, 2014, the outstanding balance was $50,000. The interest rate at December 31, 2014 was 3.25%.

11. Long-Term Debt (Continued)

i) Marcy Baer Associates Limited Partnership

Marcy Baer has obtained a loan from HTF in the principal amount of $7,308,367, secured by a mortgage on the rental property. The loan was non-interest bearing until January 1, 2015, at which time the loan was restated to bear interest at the annual uncompounded rate of 1% on the outstanding principal of the loan, payable only to the extent of excess income with the balance forgiven as long as there no event of default. The loan will mature on May 16, 2093.

j) 1615 Limited Partnership

1615 Limited Partnership has obtained a loan from HDC in the principal amount of $788,000, bearing interest at 7.05% per annum and secured by a first mortgage on the property. Principal and interest payments of $5,269 are due in monthly installments through maturity on November 30, 2034. As of December 31, 2014, $676,995 remains payable.

1615 Limited Partnership has also obtained a permanent loan from HTF in the principal amount of $700,000, secured by a second mortgage. The loan bears interest at a rate of 1 % per annum. Interest and principal payments are due only to the extent of cash flow, as defined, through maturity on November 30, 2034. As of December 31, 2014, $700,000 is unpaid.

Aggregate annual maturities of the total mortgage loans payable over each of the next five years and thereafter as of December 31, 2014, are as follows:

2015	$ 394,239
2016	2,816,788
2017	121,638
2018	125,597
2019	129,743
2020 and subsequent years	40,296,932
	43,884,937
Amounts to be forgiven	4,487,173
	$48,372,110

Interest expense incurred for the year ended December 31, 2014, was $603,518.

12. Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014, are related to the following purposes:

Parent Action	$ 11,514
Student Success Center	24,252
Children and Adult Food Care Program	8,514
Health Food Advocacy	51,746
College Access Center	41,559
Change Capital Fund	200,000
	$337,585

13. Pension

The Organization sponsors a defined contribution pension plan covering all full-time employees after two to three years of service, depending on position, who have reached the age of 21. SHF contributes 10% of each eligible employee's salary. In order to receive matching employer contributions, the employee must contribute 3% of his or her salary. Additional voluntary contributions by the employees are permissible subject to IRS limitations. Pension expense for 2014 was $206,051.

14. Subsequent Events

The Organization evaluated its December 31, 2014, consolidated financial statements for subsequent events through September 24, 2015, the date the consolidated financial statements were available to be issued. Except as disclosed in the above text, the Organization is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

In May 2015, the Organization entered into an operating agreement with Walton/Briarwood LLC to develop 1561 Walton Avenue in the Bronx, New York.

SUPPLEMENTARY INFORMATION

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2014

ASSETS

	Settlement Housing Fund, Inc.	Nonprofit Affiliates	Real Estate Affiliates	Consolidating Balance	Eliminations	Consolidated Balance
CURRENT ASSETS						
Cash and cash equivalents	$ 1,075,568	$ 1,656,204	$ 296,766	$ 3,028,538	$ -	$ 3,028,538
Escrows and reserves	-	1,383,131	1,428,930	2,812,061	-	2,812,061
Tenants' security deposits	-	675,325	84,924	760,249	-	760,249
Investments	1,225,958	-	-	1,225,958	-	1,225,958
Grants and contributions receivable	166,786	401,555	-	568,341	-	568,341
Rents and other receivables	-	797,222	74,870	872,092	-	872,092
Other assets	433,382	1,062,960	111,911	1,608,253		1,608,253
Total Current Assets	2,901,694	5,976,397	1,997,401	10,875,492	-	10,875,492
FIXED ASSETS						
Property and equipment, net of accumulated depreciation of $36,074,211	88,051	54,818,312	7,622,109	62,528,472	(438,879)	62,089,593
OTHER ASSETS						
Fees receivable	284,717	-	14,349	299,066	(1,108)	297,958
Loans receivable	12,955,400	-	-	12,955,400	(12,955,400)	-
Investments-other		-	1,872,982	1,872,982	(1,872,982)	-
Mortgage receivable	409,276	-	-	409,276	-	409,276
Due from affiliates	77,638	93,886	6,631	178,155	(178,155)	-
Other receivable	50,246		-	50,246		50,246
Deferred expenses, net accumulated amortization of $118,504	-	44,548	43,291	87,839	-	87,839
Total Assets	$ 16,767,022	$ 60,933,143	$ 11,556,763	$ 89,256,928	$ (15,446,524)	$ 73,810,404

LIABILITIES AND NET ASSETS

	Settlement Housing Fund, Inc.	Nonprofit Affiliates	Real Estate Affiliates	Consolidating Balance	Eliminations	Consolidated Balance
CURRENT LIABILITIES						
Current portion of long-term debt	$ -	$ 378,135	$ 16,104	$ 394,239	$ -	$ 394,239
Accounts payable and accrued expenses	236,708	1,548,682	159,090	1,944,480	(60,880)	1,883,600
Accrued interest payable	-	184,304	71,150	255,454	-	255,454
Tenant security deposits payable	-	710,061	84,924	794,985	-	794,985
Current portion of deferred rent payable	10,875	-	-	10,875	-	10,875
Deferred revenue	-	232,939	-	232,939	-	232,939
Developers fee payable	-	-	65,000	65,000	(65,000)	-
Due to affiliate of general partner	-	53,383	-	53,383	(53,383)	-
Total Current Liabilities	247,583	3,107,504	396,268	3,751,355	(179,263)	3,572,092
OTHER LIABILITIES						
Long-term debt	-	52,264,013	8,669,258	60,933,271	(12,955,400)	47,977,871
Deferred rent payable	81,498	-	-	81,498	-	81,498
TOTAL LIABILITIES	329,081	55,371,517	9,065,526	64,766,124	(13,134,663)	51,631,461
COMMITMENTS AND CONTINGENCIES						
NET ASSETS						
Unrestricted						
Operations	16,437,941	5,224,041	-	21,661,982	(2,971,789)	18,690,193
Unrestricted noncontrolling interest	-	-	-	-	3,151,165	3,151,165
Temporary restricted	-	337,585	-	337,585	-	337,585
Total net assets	16,437,941	5,561,626	-	21,999,567	179,376	22,178,943
STOCKHOLDERS' AND PARTNERS' EQUITY (ACCUMULATED DEFICIT)	-	-	2,491,237	2,491,237	(2,491,237)	-
TOTAL LIABILITIES, NET ASSETS AND STOCKHOLDERS' & PARTNERS' EQUITY (ACCUMULATED DEFICIT)	$ 16,767,022	$ 60,933,143	$ 11,556,763	$ 89,256,928	$ (15,446,524)	$ 73,810,404

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	Unrestricted Settlement Housing Fund, Inc	Temporarily Restricted Settlement Housing Fund, Inc	Total Settlement Housing Fund, Inc	Nonprofit Affiliates	Real Estate Affiliates	Consolidating Balance	Eliminations	Consolidated Balance
PUBLIC SUPPORT AND OPERATING REVENUE								
Grants and contributions	$ 1,578,418	$ -	$ 1,578,418	$ 7,113,426	$ -	$ 8,691,844	(1,475,367)	$ 7,216,477
Special events, net	455,504	-	455,504	-	-	455,504	-	455,504
Program and other fees	1,199,996	-	1,199,996	73,826	-	1,273,822		1,273,822
Rental income	-	-	-	13,896,026	1,101,126	14,997,152	-	14,997,152
Interest and dividend income	301,241	-	301,241	1,643	3,022	305,906	-	305,906
Realized and unrealized gain (loss) on investments	54,200	-	54,200	-	(3,328)	50,872	3,328	54,200
Gain on sale of buildings	-	-	-	3,764,655	-	3,764,655		3,764,655
Other income	1,571,214	-	1,571,214	1,692,016	42,666	3,305,896	(2,057,994)	1,247,902
Bad debt recovery	-	-	-	-	37,296	37,296	-	37,296
Net assets released from restrictions	65,000	(65,000)	-	-	-	-	-	-
Total Public Support and Operating revenue	5,225,573	(65,000)	5,160,573	26,541,592	1,180,782	32,882,947	(3,530,033)	29,352,914
EXPENSES								
Program services								
Development and technical assistance	4,142,039	-	4,142,039	5,820,856	-	9,962,895	(3,115,691)	6,847,204
Housing	-	-	-	15,979,023	1,637,003	17,616,026		17,616,026
Operational support services								-
Management and general	827,731	-	827,731	1,792,498	10,629	2,630,858	(417,670)	2,213,188
Grants				1,551,704		1,551,704		1,551,704
Fundraising	341,757	-	341,757	154,500	-	496,257	-	496,257
								-
Total Expenses	5,311,527	-	5,311,527	25,298,581	1,647,632	32,257,740	(3,533,361)	28,724,379
CHANGE IN NET ASSETS BEFORE LOSS ALLOCATED TO NONCONTROLLING OWNERSHIP INTEREST	(85,954)	(65,000)	(150,954)	1,243,011	(466,850)	625,207	3,328	628,535
LOSS ALLOCATED TO NONCONTROLLING OWNERSHIP INTEREST	-	-	-	-	-	-	137,700	137,700
CHANGE IN NET ASSETS	(85,954)	(65,000)	(150,954)	1,243,011	(466,850)	625,207	141,028	766,235
NET ASSETS								
Net assets or retained earnings (accumulated deficit) January 1, 2014	16,523,895	65,000	16,588,895	4,318,615	2,958,087	23,865,597	(2,452,889)	21,412,708
Net assets, December 31, 2014	$16,437,941	$ -	$16,437,941	$5,561,626	$2,491,237	$ 24,490,804	$(2,311,861)	$ 22,178,943

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2014

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 1,075,568
Investments-marketable securities	882,200
Grants and contributions receivable	166,786
Other assets	433,382
Total Current Assets	2,557,936
FIXED ASSETS	
Property and equipment, net of accumulated depreciation of of $452,000	88,051
OTHER ASSETS	
Fees receivable	284,717
Loans receivable	12,955,400
Investments-other	343,758
Mortgage receivable	409,276
Due from affiliates	77,638
Other receivable	50,246
TOTAL ASSETS	$ 16,767,022

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 236,708
Current portion of deferred rent payable	10,875
Total Current Liabilities	247,583
OTHER LIABILITIES	
Deferred rent payable	81,498
TOTAL LIABILITIES	329,081
COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Unrestricted	16,437,941
TOTAL LIABILITIES AND NET ASSETS	$ 16,767,022

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND OPERATING REVENUE			
Grants and contributions	$ 1,578,418	$ -	$ 1,578,418
Special events, net of direct costs of of $78,190	455,504	-	455,504
Program and other fees	1,199,996	-	1,199,996
Interest and dividend income	301,241	-	301,241
Realized and unrealized gain on investments	54,200	-	54,200
Other income	1,571,214	-	1,571,214
Net assets released from restrictions	65,000	(65,000)	-
Total Public Support and Operating Revenue	5,225,573	(65,000)	5,160,573
EXPENSES			
Program services			
Development and technical assistance	4,142,039	-	4,142,039
Housing			
Operational support services			
Management and general	827,731	-	827,731
Fundraising	341,757	-	341,757
Total Expenses	5,311,527	-	5,311,527
CHANGE IN NET ASSETS	(85,954)	(65,000)	(150,954)
NET ASSETS			
Net assets, January 1, 2014	16,523,895	65,000	16,588,895
Net assets, December 31, 2014	$ 16,437,941	$ -	$ 16,437,941

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (150,954)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES	
Depreciation and Amortization	44,216
Realized and unrealized gain on investments	(54,200)
Rent	(21,311)
Changes in assets and liabilities	
Other assets	(88,844)
Grants and contributions receivable	80,857
Fees receivable	225,750
Accounts payable and accrued expenses	29,907
Total adjustments	216,375
Net cash provided by operating activities	65,421
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments-marketable securities	285,689
Mortgage receivable	(19,490)
Due from affiliates	815,221
Other receivable	(50,246)
Fixed asset additions	(6,435)
Net cash provided by investing activities	1,024,739
CASH FLOWS FROM FINANCING ACTIVITIES	
Long-term debt	(250,000)
Net cash used in financing activities	(250,000)
NET INCREASE IN CASH	840,160
CASH	
Beginning of year	235,408
End of year	$ 1,075,568
Cash paid for interest	$ 7,500

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Program Services	Supporting Services		
	Development and Technical Assistance	Management & General	Fundraising	Total
Salaries and related expenses	$ 2,415,355	$ 501,892	$ 219,578	$ 3,136,825
Professional fees and contract service payments	43,021	53,450	33,895	130,366
Occupancy	217,241	38,017	16,293	271,551
Security	574	101	43	718
Telephone	29,479	5,159	2,211	36,849
Postage	2,684	470	201	3,355
Supplies	9,462	1,656	710	11,828
Conferences, training, seminars and travel	17,005	3,255	81	20,341
Publications and printing	6,312	1,105	473	7,890
Purchase, rental and maintenance of equipment	31,995	5,599	2,400	39,994
Insurance	5,520	22,078	-	27,598
Depreciation and amortization	35,373	6,190	2,653	44,216
Contributions	841,788	147,313	63,134	1,052,235
Student expenses	68,410	-	-	68,410
DREAMS/Youthbuild expenses	139,037	-	-	139,037
Donated services and supplies	270,350	-	-	270,350
Interest expense	7,500	-	-	7,500
Miscellaneous	933	41,446	85	42,464
	$ 4,142,039	$ 827,731	$ 341,757	$ 5,311,527

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.

SELECTED NOTES TO SCHEDULES

DECEMBER 31, 2014

1. Organization

SHF has elected to present parent-only schedules as supplementary data accompanying the primary consolidated financial statements.

2. Summary of Significant Accounting Policies

Program Fees

SHF receives fees for the performance of project development. The fees are generally earned over the development period in accordance with the fee agreements. Development fees are recognized as revenue as the milestones in the development agreements are achieved.

SHF receives supervisory fees from several of its affiliated projects. In addition, SHF provides services, such as marketing, to unaffiliated projects. The fees are recognized as revenue when earned.

Fees from all other services are recognized as earned in accordance with agreements or as services are rendered.

3. Investments-Other

Investments-Other consists of an investment in Housing Partnership Insurance Exchange, which is stated at cost at December 31, 2014.

4. Fees Receivable

SHF, along with an unrelated co-developer, earned a developer fee from Two Bridgeset Associates Limited Partnership for the development of a mixed-income apartment building.
The fee for these services was $5,067,500, 50% of which was earned by SHF. As of December 31, 2014, $186,217 of the fees was not paid.

In 2013, SHF earned an incentive management fee from Two Bridgeset Associates Limited Partnership in the amount of $49,500. Total fees outstanding as of December 31, 2014 are $98,500.

SHF earned a fee of $922,595 from 1615 St. John's Place Limited Partnership (1615 SJP) for developing a mixed-income apartment building. At December 31, 2014, $65,000 is outstanding.

4. Fees Receivable (Continued)

SHF has earned various fees from other affiliated entities. The amounts due at December 31, 2014 were $86,137.

Long term fees receivable were $284,717. Current portion was $151,138 and is included in other assets.

5. Due from Affiliates

Amounts due from affiliates at December 31, 2014, are as follows:

	For profit	Nonprofit	Total
1644 St. John's Place	$ 18,960	$ -	$ 18,960
Two Bridgeset Towers	9,610		9,610
Shuhab		8,000	8,000
Semiperm		15,911	15,911
Two Bridgeset HDFC		15,445	15,445
Other	5,322	4,390	9,712
	$33,892	$43,746	$77,638

The balances are noninterest bearing, unsecured, and due on demand.

6. Loans Receivable

A Senior Fund Note in the amount of $8,827,851 dated August 11, 2011, from NSCCC Investment Fund LLC to GSUIG Real Estate Member LLC and loaned to NSCCC, was subsequently assigned to SHF. Interest only payments are due from borrower quarterly at 1% per annum. Principal payments are to be received commencing July 1, 2018, through the maturity date of January 1, 2045.

A Junior Fund Note in the amount of $4,127,549 dated August 11, 2011, from NSCCC Investment Fund LLC to SHF and loaned to NSCCC requires interest only payments quarterly at 1% per annum. The principal balance of $4,127,549 is due on January 1, 2045.

SETTLEMENT HOUSING FUND, INC.

SELECTED NOTES TO SCHEDULES

DECEMBER 31, 2014

7. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2014, are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate fixed income	$353,671		$ 353,671	$ -
Mutual funds	528,529	528,529		-
Captive insurer organization	343,758	-		343,758
Total	$1,225,958	$528,529	$353,671	$343,758

All assets have been valued using a market approach, except for Level 3 assets. Level 3 assets are valued using the income approach. Fair values of assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. Fair values for assets in Level 3 are calculated using assumptions about discounted cash flow and other present value techniques. There were no changes in the valuation techniques during the current year.

8. Contributions

Contributions included in the schedule of functional expenses were made to affiliated entities to comply with the New York City Housing Preservation & Development's policy pertaining to the use of proceeds received from the sale of one of Shuhab's buildings. These contributions were passed to several of SHF's other affiliates to pay down receivables owed to SHF.

KOCH GROUP & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
333 Seventh Avenue
New York, NY 10001
(212) 631-0700 FAX (212) 631-0109

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Settlement Housing Fund, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Settlement Housing Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Loeb Group & Company, LLP

Certified Public Accountants

New York, New York
September 24, 2015

KOCH GROUP & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
333 Seventh Avenue
New York, NY 10001
(212) 631-0700 FAX (212) 631-0109

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Settlement Housing Fund, Inc.

Report on Compliance for Each Major Federal Program

We have audited Settlement Housing Fund, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Settlement Housing Fund, Inc.'s major federal programs for the year ended December 31, 2014. Settlement Housing Fund, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Settlement Housing Fund, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Settlement Housing Fund, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Settlement Housing Fund, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Settlement Housing Fund, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Settlement Housing Fund, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Settlement Housing Fund, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Settlement Housing Fund, Inc.'s internal control over compliance.

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

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

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

Loeb Group & Company, LLP

Certified Public Accountants

New York, New York
September 24, 2015

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDING DECEMBER 31, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Labor, direct programs:			
Youthbuild	17.274		$283,754
WIA Pilots, Demonstrations & Research Projects	17.261		189,434
Subtotal Department of Labor direct			473,188
Corporation for National and Community Service, direct program:			
AmeriCorps	94.006		81,809
U.S. Department of Housing and Urban Development, pass-through programs from:			
Local Initiatives Support Corporation	14.252	43581-0007	24,444
Enterprise Community Partners, Inc.	14.252	14SG4663	25,000
Subtotal Department of Housing And Urban Development, pass-through programs			49,444
			$604,441

SETTLEMENT HOUSING FUND, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDING DECEMBER 31, 2014

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Settlement Housing Fund, Inc. under programs of the federal government for the year ended December 31, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Settlement Housing Fund, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Settlement Housing Fund, Inc.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDING DECEMBER 31, 2014

Section I - Summary of Auditor's Results

<u>Financial Statements</u>

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

<u>Federal Awards</u>

Internal Control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

<u>Identification of major programs</u>

CFDA#	Name of Federal Program
17.261	United States Department of Labor WIA Pilots, Demonstrations, and Research Projects
94.006	Corporation for National and Community Service, AmeriCorps
14.252	United States Department of Housing & Urban Development, Section 4 Capacity Building for Community Development and Affordable Housing

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDING DECEMBER 31, 2014

Identification of major programs (Continued)

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk Auditee	no

Section II – Financial Statement Findings

None noted.

Section III – Federal Awards Findings and Questioned Costs

None noted.