

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2015

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES

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KOCH GROUP & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015, 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 consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the 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, 2015, 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

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 22 and 23 and the Settlement Housing Fund, Inc. financial report on pages 24 through 30 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Koch Group + Company, LLP
Certified Public Accountants

New York, New York
September 15, 2016

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,882,308
Escrows and reserves	3,225,045
Tenants' security deposits	764,839
Investments	1,260,672
Grants and contributions receivable	807,794
Fees receivable, current portion	40,703
Rents and other receivables	930,490
Predevelopment costs	619,455
Other assets	750,370

Total Current Assets 11,281,676

FIXED ASSETS

Property and equipment, net of accumulated depreciation of \$38,415,412	60,922,389
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OTHER ASSETS

Fees receivable	299,066
Mortgage receivable	429,739
Other receivable	274,138
Deferred expenses, less accumulated amortization of \$88,953	104,100

Total Assets \$73,331,787

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Current portion of long-term debt	\$ 2,898,661
Accounts payable and accrued expenses	2,292,711
Accrued interest payable	355,189
Tenant security deposits payable	796,375
Current portion of deferred rent payable	10,875
Deferred revenue	219,190
Total Current Liabilities	<u>6,573,001</u>
OTHER LIABILITIES	
Long-term debt	46,051,874
Deferred rent payable	53,828
Total Other Liabilities	<u>46,105,702</u>
TOTAL LIABILITIES	<u>52,678,703</u>
COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Unrestricted	
Undesignated	15,871,508
Board designated for operating reserves	900,000
Noncontrolling interest	3,038,036
Temporary restricted	843,540
Total net assets	<u>20,653,084</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$73,331,787</u>

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND OPERATING REVENUE			
Grants and contributions	\$ 9,023,610	\$ 458,880	\$ 9,482,490
Special events, net	471,764	-	471,764
Program and other fees	1,171,822	384,660	1,556,482
Rental income	15,213,837	-	15,213,837
Interest and dividend income	249,925	-	249,925
Realized and unrealized loss on investments	(2,818)	-	(2,818)
Other income	1,001,562	-	1,001,562
Net assets released from restrictions	337,585	(337,585)	-
	<u>27,467,287</u>	<u>505,955</u>	<u>27,973,242</u>
EXPENSES			
Program services			
Youth services	11,445,365	-	11,445,365
Housing	16,200,977	-	16,200,977
Supporting services			
Management and general	1,773,214	-	1,773,214
Fundraising	193,349	-	193,349
	<u>29,612,905</u>	<u>-</u>	<u>29,612,905</u>
CHANGE IN NET ASSETS BEFORE LOSS ALLOCATED TO NONCONTROLLING OWNERSHIP INTEREST	(2,145,618)	505,955	(1,639,663)
LOSS ALLOCATED TO NONCONTROLLING OWNERSHIP INTEREST	<u>109,454</u>	<u>-</u>	<u>109,454</u>
CHANGE IN NET ASSETS	<u>\$ (2,036,164)</u>	<u>\$ 505,955</u>	<u>\$ (1,530,209)</u>

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2015

NET ASSETS	Total	Temporarily Restricted	Unrestricted	
			Controlling Interest	Noncontrolling Interest
Balance, January 1, 2015	\$ 22,183,293	\$ 337,585	\$ 18,694,543	\$ 3,151,165
Changes in net assets	(1,530,209)	505,955	(1,923,035)	(113,129)
Balance, December 31, 2015	<u>\$ 20,653,084</u>	<u>\$ 843,540</u>	<u>\$ 16,771,508</u>	<u>\$ 3,038,036</u>

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in Net Assets	\$ (1,530,209)
ADJUSTMENTS TO RECONCILE DECREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Realized and unrealized loss on investments	2,818
Depreciation	2,341,202
Amortization	5,587
Bad debt	2,048
Rent	(27,670)
Changes in assets and liabilities	
Tenants' security deposits	(4,590)
Grants and contributions receivable	(239,453)
Fees receivable	(43,859)
Rents and other receivables	(58,398)
Other assets	857,883
Accounts payable and accrued expenses	409,111
Accrued interest payable	99,735
Tenant security deposits payable	1,390
Deferred revenue	(13,749)
Net cash provided by operating activities	<u>1,801,846</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Predevelopment costs	(619,455)
Investments	(37,532)
Mortgage receivable	(20,463)
Other receivable	(223,892)
Property and equipment	(1,173,998)
Deferred expenses	(21,848)
Escrows and reserves	(412,984)
Net cash used in investing activities	<u>(2,530,851)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds of long-term debt	1,345,496
Repayment of long-term debt	(767,071)
Construction costs payable	4,350
Net cash provided by financing activities	<u>582,775</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(146,230)
CASH AND CASH EQUIVALENTS	
Beginning of year	<u>3,028,538</u>
End of year	<u><u>\$ 2,882,308</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for Interest	<u><u>\$ 441,117</u></u>

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. Organization

Settlement Housing Fund, Inc. (SHF) and Affiliates (collectively “the Organization”) provides affordable housing, technical assistance, affordable housing 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. SHF also forms not-for-profit New York State Article 11 PHFL Housing Development Fund Corporations (“HDFCs”) to serve as the legal fee title owners of affordable housing projects. These HDFCs sign nominee agreements with the beneficial owners, which assume all operational and development responsibility.

Furthermore, the Organization is affiliated with and controls 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

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. Organization (Continued)

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 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 educational 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 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. Newset 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 Newset'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 then to convert these buildings to cooperative ownership or rental use. At December 31, 2015, five buildings have been renovated and converted to cooperative ownership, one building was renovated and sold as a rental to an unaffiliated private owner, one building was transferred to 287 HDPC for renovation and operation as a rental, one building has completed renovations, one

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. Organization (Continued)

building will be sold to an unaffiliated nonprofit organization, and the tenth building is to remain part of Shuhab for rental use.

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. Furthermore, NSCCC provides social, recreational and cultural activities, events and after-school programs in the community center to benefit the school and the surrounding community. NSCCC 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. Funding for this program comes from a five year Human Services Contract which commenced on July 1, 2011, with the City of New York's Department of

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. Organization (Continued)

Homeless Services. The total amount of the contract award, as amended, was \$14,549,799. The contract expires on June 30, 2016, and is currently in renegotiation. St. John's HDFC also owns a small building acquired from the City of New York which is being renovated for community and administrative use. St. John's HDFC provided all management services to two nearby buildings containing permanent residential housing through September 30, 2014. At that date, services began phasing out until October 2015, when it no longer handled management for those buildings.

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 of the 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. 1615 St. John's Place, Inc.	1% 0.01%	Marcy Baer Associates, L.P. 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.

SHF, through its subsidiary 1561 HDFC, entered into a partnership agreement whereby it has a 51% interest in 1561 MM, LLC, the managing member of a 60 unit apartment project to be built at 1561 Walton Avenue, Bronx, New York. Walton/Briarwood, LLC, the 49% partner, will guarantee construction completion, together with the general contractor. Upon conversion, the operating guarantee will be the responsibility of SHF. It is anticipated at that time the project will be included in SHF's consolidated financial statements.

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

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.

Limited Partnerships. Partnerships that are controlled by SHF 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 non-controlling 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.

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

2. Summary of Significant Accounting Policies (Continued)

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 net operating losses that are carried forward for future offsetting against taxable income. These losses have a 20-year life and expire 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. 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 for years before 2012.

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

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

2. Summary of Significant Accounting Policies (Continued)

g) Revenue Recognition (Continued)

from restrictions. However, donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

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

Grant revenues are recognized in revenue upon incurring expenses, which is to reflect the cost-reimbursable nature of the grants. The actual funds received from the funding authority can be more or less than the amount of expenses incurred. When the funding received is more than the incurred expenses, a liability to the funding authority is recorded. When the funding received is less than the incurred expenses, a receivable from the funding authority is recorded. If there are no conditions, the grant revenue is recognized when the grantor informs the organization of its promise of the unconditional grant.

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.

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 2015.

3. Fixed Assets

A summary of fixed assets in as follows:

		<u>Useful lives</u>
Land	\$ 929,521	
Buildings and improvements	93,423,017	40 years
Furniture, fixtures and equipment	4,985,263	5-10 years
	<u>99,337,801</u>	
Less: Accumulated depreciation	<u>(38,415,412)</u>	
	<u>\$60,922,389</u>	

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.

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

5. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2015, 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 Stocks and Mutual funds	\$415,214	\$ -	\$ 415,214	\$ -
Captive insurer organization	501,700	501,700		
	343,758	-		343,758
Total	<u>\$1,260,672</u>	<u>\$501,700</u>	<u>\$415,214</u>	<u>\$343,758</u>

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	<u>790,294</u>
Total	<u>\$807,794</u>

At December 31, 2015, \$280,000 of grants receivable are from temporarily restricted net assets.

7. Related Party Transactions

The organization 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

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

7. Related Party Transactions (Continued)

maintaining the books and records of the entities. Fees owed to the organization from unconsolidated affiliates at December 31, 2015 were \$339,769.

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 mortgage to Two Bridgeset Associates, L.P. bears no interest and is due on October 29, 2025. The mortgage 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, 2015, the balance of SHF's 50% share of the mortgage was \$429,739.

10. Lease Commitment

SHF occupies its premises under a lease terminating September 14, 2017. The annual base rent 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, 2015, was \$64,703.

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

<u>Year</u>	
2016	\$267,211
2017	<u>192,403</u>
Total	<u>\$459,614</u>

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

11. Long-Term Debt

The following details the various debt obligations outstanding as reflected in the accompanying consolidated statement of financial position at December 31, 2015:

Affiliated Entities	Lender	Debt Obligation at 12/31/2015	Eliminations	Adjusted Balance	Maturity Date	Interest Rate
SHF	TD Bank	\$ 418,019		\$ 418,019	10/1/2017	3.250%
SHF	TD Bank	10,292		10,292	10/1/2016	3.250%
SHF	Deutsche Bank	40,000		40,000	3/31/2018	0.000%
Semiperm	TD Bank	179,000		179,000	10/1/2020	3.500%
Newset II	HPD	2,698,931		2,698,931	6/30/2016	0.000% A
Newset II	HPD	513,708		513,708	6/1/2043	3.000%
Shuhab	HPD	312,807		312,807	1/1/2041	7.180%
Shuhab	HPD	2,771,926		2,771,926	1/1/2041	0.250%
Shuhab	Bank of America	20,623,723		20,623,723	12/31/2011	1.920% - 1.960%
287 HDFC	CPC	1,322,330		1,322,330	6/1/2042	4.280%
287 HDFC	HPD	1,158,812		1,158,812	6/1/2045	1.250%
287 HDFC	HPD	723,081		723,081	6/1/2031	0.250% A
New Hull	HPD	2,070,057		2,070,057	12/3/2022	0.010%
New Hull	HPD	286,861		286,861	6/1/2021	0.000%
NSCCC	LIIF	9,700,000	(8,827,851)	872,149	6/30/2051	1.873%
NSCCC	New Markets Inv 62 LLC	7,920,000	(4,127,549)	3,792,451	7/1/2051	1.431%
Crenulated	Capital One	114,501		114,501	7/11/2017	3.000%
Crenulated	HPD	236,500		236,500	1/1/2023	1.000%
Crenulated	HPD	280,000		280,000	9/1/2018	0.000% A
St. Johns HDFC	TD Bank	50,000		50,000	4/230/2016	3.250%
St. Johns HDFC	HPD	1,508,242		1,508,242	7/1/2022	2.000% A
St. Johns HDFC	HPD	297,795		297,795	7/1/2022	3.000%
Marcy Baer LP	HTF	7,308,367		7,308,367	5/17/2093	1.000% A
1615 LP	HDC	660,983		660,983	11/30/2034	7.050%
1615 LP	HTF	700,000		700,000	11/30/2034	1.000%
Total		<u>\$61,905,935</u>	<u>\$(12,955,400)</u>	<u>\$48,950,535</u>		

A) The loans will be forgiven at their maturity if all of the terms under the enforcement mortgages are satisfied.

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

11. Long-Term Debt (Continued)

Aggregate annual maturities of the long-term debt over each of the next five years and thereafter as of December 31, 2015, are as follows:

2016	\$ 199,730
2017	21,299,521
2018	187,527
2019	151,768
2020	305,216
2021 and subsequent years	<u>14,288,152</u>
	36,431,914
Amounts to be forgiven (current portion)	2,698,931
(noncurrent)	<u>9,819,690</u>
	<u>\$48,950,535</u>

Interest expense incurred for the year ended December 31, 2015, was \$540,852.

12. Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015, are related to the following purposes:

Affordable Housing Development	\$384,660
MASP	39,203
Children and Adult Food Care Program	12,246
ASP@64 / TASC	63,778
Summer Camp	49,851
ASP/MS327	113,025
Summer / PS 64	40,810
Right to Counsel	423
Change Capital Fund	133,043
LISC/HUD Section 4	<u>6,501</u>
	<u>\$843,540</u>

SETTLEMENT HOUSING FUND, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 2015 was \$127,141.

14. Subsequent Events

The Organization evaluated its December 31, 2015, consolidated financial statements for subsequent events through September 15, 2016, the date the consolidated financial statements were available to be issued. On June 28, 2016, Crenulated sold all of its real estate assets for \$84,500,000, receiving cash of \$22,735,000 and a note receivable of \$61,765,000. All real estate operations were discontinued at that time.

SUPPLEMENTARY INFORMATION

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2015

ASSETS

	Settlement Housing Fund, Inc.	Nonprofit Affiliates	Real Estate Affiliates	Consolidating Balance	Eliminations	Consolidated Balance
CURRENT ASSETS						
Cash and cash equivalents	\$ 815,758	\$ 1,797,165	\$ 269,385	\$ 2,882,308	\$ -	\$ 2,882,308
Escrows and reserves	-	2,051,064	1,173,981	3,225,045	-	3,225,045
Tenants' security deposits	-	676,412	88,427	764,839	-	764,839
Investments	1,260,672	-	-	1,260,672	-	1,260,672
Grants and contributions receivable	766,035	41,759	-	807,794	-	807,794
Fees receivable, current portion	139,729	-	-	139,729	(99,026)	40,703
Rents and other receivables	-	862,627	67,863	930,490	-	930,490
Predevelopment costs	619,455	-	-	619,455	-	619,455
Other assets	110,547	582,358	57,465	750,370	-	750,370
Total Current Assets	3,712,196	6,011,385	1,657,121	11,380,702	(99,026)	11,281,676
FIXED ASSETS						
Property and equipment, net of accumulated depreciation of \$38,415,412	86,497	53,988,008	7,286,763	61,361,268	(438,879)	60,922,389
OTHER ASSETS						
Fees receivable	284,717	-	14,349	299,066	-	299,066
Loans receivable	12,955,400	-	-	12,955,400	(12,955,400)	-
Investment-other	-	-	1,868,568	1,868,568	(1,868,568)	-
Mortgage receivable	429,739	-	-	429,739	-	429,739
Due from affiliates	46,617	273,413	73,481	393,511	(372,832)	20,679
Other receivable	189,768	84,370	-	274,138	-	274,138
Deferred expenses, less accumulated amortization of \$88,953	-	62,980	41,120	104,100	-	104,100
Total Assets	\$ 17,704,934	\$ 60,420,156	\$ 10,941,402	\$ 89,066,492	\$ (15,734,705)	\$ 73,331,787
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current portion of long-term debt	\$ 10,292	\$ 2,871,091	\$ 17,278	\$ 2,898,661	\$ -	\$ 2,898,661
Accounts payable and accrued expenses	149,694	2,003,774	139,243	2,292,711	-	2,292,711
Accrued interest payable	-	335,119	20,070	355,189	-	355,189
Tenant security deposits payable	-	707,091	89,284	796,375	-	796,375
Current portion of deferred rent payable	10,875	-	-	10,875	-	10,875
Deferred revenue	-	219,190	-	219,190	-	219,190
Developers fee payable	-	-	65,000	65,000	(65,000)	-
Due to affiliate of general partner	-	389,870	16,988	406,858	(406,858)	-
Total Current Liabilities	170,861	6,526,135	347,863	7,044,859	(471,858)	6,573,001
OTHER LIABILITIES						
Long-term debt	458,019	49,897,183	8,652,072	59,007,274	(12,955,400)	46,051,874
Deferred rent payable	53,828	-	-	53,828	-	53,828
TOTAL LIABILITIES	682,708	56,423,318	8,999,935	66,105,961	(13,427,258)	52,678,703
COMMITMENTS AND CONTINGENCIES						
NET ASSETS						
Unrestricted						
Operations	15,737,566	3,537,958	-	19,275,524	(3,404,016)	15,871,508
Board designated for operating reserves	900,000	-	-	900,000	-	900,000
Unrestricted noncontrolling interest	-	-	-	-	3,038,036	3,038,036
Temporary restricted	384,660	458,880	-	843,540	-	843,540
Total net assets	17,022,226	3,996,838	-	21,019,064	(365,980)	20,653,084
STOCKHOLDERS' AND PARTNERS' EQUITY (ACCUMULATED DEFICIT)	-	-	1,941,467	1,941,467	(1,941,467)	-
TOTAL LIABILITIES, NET ASSETS AND STOCKHOLDERS' & PARTNERS' EQUITY (ACCUMULATED DEFICIT)	\$ 17,704,934	\$ 60,420,156	\$ 10,941,402	\$ 89,066,492	\$ (15,734,705)	\$ 73,331,787

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted Settlement Housing Fund, Inc	Temporarily Restricted Settlement Housing Fund, Inc	Unrestricted Nonprofit Affiliates	Temporarily Restricted Nonprofit Affiliates	Real Estate Affiliates	Consolidating Balance	Eliminations	Consolidated Balance
PUBLIC SUPPORT AND OPERATING REVENUE								
Grants and contributions	\$ 2,148,223	\$ -	\$ 6,998,741	\$ 458,880	\$ 20,355	\$ 9,626,199	(143,709)	\$ 9,482,490
Special events, net	471,764	-	-	-	-	471,764	-	471,764
Program and other fees	2,020,524	384,660	55,403	-	-	2,460,587	(904,105)	1,556,482
Rental income	-	-	14,069,939	-	1,143,898	15,213,837	-	15,213,837
Interest and dividend income	239,967	-	2,106	-	7,852	249,925	-	249,925
Realized and unrealized gain (loss) on investments	(2,818)	-	-	-	(4,414)	(7,232)	4,414	(2,818)
Other income	40,943	-	994,949	-	23,678	1,059,570	(58,008)	1,001,562
Net assets released from restrictions	-	-	337,585	(337,585)	-	-	-	-
Total Public Support and Operating revenue	4,918,603	384,660	22,458,723	121,295	1,191,369	29,074,650	(1,101,408)	27,973,242
EXPENSES								
Program services								
Youth services	1,358,813	-	10,092,052	-	-	11,450,865	(5,500)	11,445,365
Housing	1,947,692	-	13,508,709	-	1,735,444	17,191,845	(990,868)	16,200,977
Supporting services								
Management and general	1,230,567	-	536,952	-	2,017	1,769,536	3,678	1,773,214
Fundraising	181,906	-	11,443	-	-	193,349	-	193,349
Total Expenses	4,718,978	-	24,149,156	-	1,737,461	30,605,595	(992,690)	29,612,905
CHANGE IN NET ASSETS BEFORE LOSS ALLOCATED TO NONCONTROLLING OWNERSHIP INTEREST	199,625	384,660	(1,690,433)	121,295	(546,092)	(1,530,945)	(108,718)	(1,639,663)
LOSS ALLOCATED TO NONCONTROLLING OWNERSHIP INTEREST	-	-	-	-	-	-	109,454	109,454
CHANGE IN NET ASSETS	199,625	384,660	(1,690,433)	121,295	(546,092)	(1,530,945)	736	(1,530,209)
NET ASSETS								
Net assets or retained earnings, January 1, 2015	16,437,941	-	5,228,391	337,585	2,491,237	24,495,154	(2,311,861)	22,183,293
Capital contributions (distributions)	-	-	-	-	(3,678)	(3,678)	3,678	-
Net assets, December 31, 2015	\$16,637,566	\$ 384,660	\$3,537,958	\$ 458,880	\$1,941,467	\$ 22,960,531	\$(2,307,447)	\$ 20,653,084

SETTLEMENT HOUSING FUND, INC.
SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 815,758
Investments-marketable securities	916,914
Grants and contributions receivable	766,035
Fees receivable, current portion	139,729
Predevelopment costs	619,455
Other assets	<u>110,547</u>
Total Current Assets	<u>3,368,438</u>
FIXED ASSETS	
Property and equipment, net of accumulated depreciation of \$494,876	<u>86,497</u>
OTHER ASSETS	
Fees receivable	284,717
Loans receivable	12,955,400
Investment-other	343,758
Mortgage receivable	429,739
Due from affiliates	<u>236,385</u>
Total Other Assets	<u>14,249,999</u>
TOTAL ASSETS	<u>\$ 17,704,934</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Line of credit	\$ 428,311
Accounts payable and accrued expenses	149,694
Current portion of deferred rent payable	<u>10,875</u>
Total Current Liabilities	588,880
OTHER LIABILITIES	
Long-term debt	40,000
Deferred rent payable	<u>53,828</u>
Total Other Liabilities	<u>93,828</u>
TOTAL LIABILITIES	<u>682,708</u>
COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Unrestricted	
Undesignated	15,737,566
Board designated	900,000
Temporarily restricted	<u>384,660</u>
Total Net Assets	<u>17,022,226</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,704,934</u>

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND OPERATING REVENUE			
Grants and contributions	\$ 2,148,223	\$ -	\$ 2,148,223
Special events, net of direct costs of \$89,786	471,764	-	471,764
Program and other fees	2,020,524	384,660	2,405,184
Interest and dividend income	239,967	-	239,967
Realized and unrealized gain (loss) on investments	(2,818)	-	(2,818)
Other income	40,943	-	40,943
	<u>4,918,603</u>	<u>384,660</u>	<u>5,303,263</u>
EXPENSES			
Program services			
Youth services	1,358,813	-	1,358,813
Housing	1,947,692	-	1,947,692
Supporting services			
Management and general	1,230,567	-	1,230,567
Fundraising	181,906	-	181,906
	<u>4,718,978</u>	<u>-</u>	<u>4,718,978</u>
CHANGE IN NET ASSETS	199,625	384,660	584,285
NET ASSETS			
Net assets, January 1, 2015	<u>16,437,941</u>	<u>-</u>	<u>16,437,941</u>
Net assets, December 31, 2015	<u><u>\$ 16,637,566</u></u>	<u><u>\$ 384,660</u></u>	<u><u>\$ 17,022,226</u></u>

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 584,285
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES	
Realized and unrealized gain on investments	2,818
Depreciation and Amortization	42,918
Bad debt	2,048
Rent	(27,670)
Changes in assets and liabilities	
Grants and contributions receivable	(599,249)
Fees receivable	(141,777)
Other assets	322,835
Predevelopment costs	(619,455)
Accounts payable and accrued expenses	<u>(87,014)</u>
Net cash used in operating activities	<u>(520,261)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments-marketable securities	(37,532)
Mortgage receivable	(20,463)
Due from affiliates	(158,747)
Other receivable	50,246
Fixed asset additions	<u>(41,364)</u>
Net cash used in investing activities	<u>(207,860)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Line of credit	428,311
Long-term debt	<u>40,000</u>
Net cash provided by financing activities	<u>468,311</u>
NET DECREASE IN CASH	(259,810)
CASH	
Beginning of year	<u>1,075,568</u>
End of year	<u>\$ 815,758</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	<u>\$ 70</u>

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services		Supporting Services		Total
	Youth Services	Housing	Management & General	Fundraising	
Salaries and related expenses	\$ 855,298	\$ 1,303,905	\$ 929,337	\$ 174,906	\$ 3,263,446
Professional fees and contract service payments	39,902	101,306	35,289	7,000	183,497
Occupancy	-	246,189	91,742	-	337,931
Security	468	-	-	-	468
Telephone	6,130	21,975	8,750	-	36,855
Postage	603	-	7,461	-	8,064
Supplies	19,065	7,948	7,384	-	34,397
Affordable housing lease-up	-	8,345	-	-	8,345
Housing development	-	6,793	-	-	6,793
Conferences, training, seminars and travel	36,975	2,749	8,011	-	47,735
Publications and printing	160	2,282	6,814	-	9,256
Purchase, rental and maintenance of equipment	11,675	26,835	11,106	-	49,616
Insurance	-	49,288	23,125	-	72,413
Contributions	-	143,209	8,000	-	151,209
Student expenses	106,197	6,836	2,722	-	115,755
DREAMS/Youthbuild expenses	43,098	-	-	-	43,098
Donated services and supplies	239,242	-	-	-	239,242
Interest expense	-	-	70	-	70
Bad debt	-	-	2,048	-	2,048
Other expenses	-	20,032	45,790	-	65,822
Depreciation and amortization	-	-	42,918	-	42,918
	<u>\$ 1,358,813</u>	<u>\$ 1,947,692</u>	<u>\$ 1,230,567</u>	<u>\$ 181,906</u>	<u>\$ 4,718,978</u>

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.

SELECTED NOTES TO SCHEDULES

DECEMBER 31, 2015

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. Investment-Other

Investment-Other consists of an investment in Housing Partnership Insurance Exchange, which is stated at cost at December 31, 2015.

4. Fees Receivable

	<u>Current Portion</u>	<u>Non-Current</u>
Two Bridges Development Fee	\$ -	\$186,217
Two Bridges Incentive Fee		98,500
1615 St. John's Place Development Fee	65,000	
Other Affiliates	74,729	
	<u>\$139,729</u>	<u>\$284,717</u>

SETTLEMENT HOUSING FUND, INC.

SELECTED NOTES TO SCHEDULES

DECEMBER 31, 2015

5. Due from Affiliates

Amounts due from affiliates at December 31, 2015, are as follows:

	<u>For profit</u>	<u>Nonprofit</u>	<u>Total</u>
St. John's Place Family Center HDFC	\$ 18,961	\$ -	\$ 18,961
Two Bridgeset Associates LP	185,129		185,129
Shuhab		8,000	8,000
1615 St. John's Place	13,838		13,838
Other	6,410	4,047	10,457
	<u>\$224,338</u>	<u>\$12,047</u>	<u>\$236,385</u>

The balances are noninterest bearing, unsecured, and are 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 the borrower quarterly at 1% per annum. Principal payments are to be received commencing July 1, 2018, through the maturity date 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.

7. Predevelopment Costs

SHF incurs costs in connection with properties it is considering for development as well as costs associated with properties in the initial stages of development. These project costs are capitalized and recorded as predevelopment costs until such time as the project is either abandoned or becomes an approved project with independent funding sources. Predevelopment costs are charged to operations at the time a potential project is no longer considered feasible. When a project has been approved and funded for development, these costs are reimbursed to SHF. Predevelopment costs totaled \$619,455 at December 31, 2015. These costs were reimbursed to SHF on June 28, 2016.

SETTLEMENT HOUSING FUND, INC.

SELECTED NOTES TO SCHEDULES

DECEMBER 31, 2015

8. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2015, are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Corporate fixed income	\$415,214		\$415,214	\$ -
Mutual funds	501,700	\$501,700		-
Captive insurer organization	343,758	-		343,758
Total	<u>\$1,260,672</u>	<u>\$501,700</u>	<u>\$415,214</u>	<u>\$343,758</u>

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.