

EVOLUTION

HOME. AFFORDABILITY. INDEPENDENCE.



CREDITS

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EVOLUTION

HOME. AFFORDABILITY. INDEPENDENCE.



A LETTER FROM
JOHN C. THOMSON

President and Chief Executive Officer

As I reflect on my first 365 days with HAI Group, I am pleased to say that 2016 was a truly transformative year.

On my first day in January, I discovered that I needed to fully understand the purpose of this Company. I needed to use the Leadership Team and the HAI Group Board of Directors to assess and define the meaning behind the work that we do, and the direction in which this Company needed to move. It became clear very early on that as the industry was evolving, that HAI Group needed to remain one step ahead of this evolution to best serve its Members. I came to understand that the "HAI" in HAI Group could no longer stand for Housing Authority Insurance. The name needed to evolve as well to stand for *Home, Affordability, and Independence*. These three components are the goals our Members and their residents strive toward every day in the housing industry. We needed to start over in many aspects; not just re-think our brand name. We needed to rebuild a new center of housing; to assist our Members in the best way we possibly can while still being guided by our principles and make decisions towards sustainability, accountability, and visibility.

The Enterprise needed to change; be ahead of the game in order to prepare for our Members to adapt. 2016 became the year to go back to basics, to wipe the slate clean, and begin evolving towards a future we could maintain. We had to knock down the building that existed before, and begin rebuilding our 'home' in order to better serve those outside. The year of 2016 would be that home's foundation upon which we will build.

Each day of 2016 added another layer to the foundation we were constructing. A new Mission and Vision were generated

to support the future of our business endeavors. HAI Group's products and services were developed to be more geared toward assist-

ing our Members in the future world of housing. Significant strides were made in redeveloping our insurance processes. The importance of why housing matters was instilled in our employees and the Board of Directors and was demonstrated through the work we accomplished.

On this journey of rebuilding, I learned so much about the industry we work in, and the true importance of the work that our Members do. I learned from the Public and Affordable Housing Research Corporation (PAHRC) and *ReThink: Why Housing Matters* about the stories of the public and affordable housing residents and the true measurement of how critical the need for housing, shelter, and health is to build a happy thriving community. I learned how pivotal our insurance business, the basis of our Company, is to sustaining a future in the industry. I learned through our e-Learning Solution, HTVN, how imperative it is we stay on top of changing laws and rules and challenges the housing industry employees face every day. I learned that the products and solutions that HAI Group provides are integral to how our Members operate on a daily basis.

As my first 365 days came to a close and I reflected on what this first year looked like, I can confidently say that we have built a solid and sturdy foundation on which to build. Looking forward to the next 365 days, I envision our employees, Board of Directors, and our Members working side by side building the framework of our 'home.' 2017 will represent the construction of a strong and durable framework to support the weight of the years to come... and I'm looking forward to it.



A LETTER FROM
CHRISTINE HART

Chairman of the Board

2016 was a year of new beginnings at HAI Group. I became the Chair of the Board and John C. Thomson began his new role as President and CEO of the Company. I set many goals to accomplish for my two year tenure; the most important of which was to work closely with John as he worked through his introduction to the Company. The Board directed John to take a 'deep dive' into HAI Group's various products and services. John was new to the public and affordable housing industry, but brought to us incredible experience in all facets of insurance and organizational development. John's clear insights and depth of understanding enabled the Board of Directors and the Leadership Team to set a new course for the Company with a new strategic Mission and Vision. My other top goal was to ensure that the Board of Directors, Members, and employees began a conversation about the future for our industry and HAI Group that would continue for years to come and continuously serve as the basis for action.

We quickly saw 2016 become a year of transformation. The Company had a new CEO who was immediately determined to truly understand what it is that HAI Group Members need and the importance of what our products and services provide. In this process, the Company's name took on a whole new meaning: Home. Affordability. Independence. This new definition came from our Members reflecting on what HAI Group means to them and from the reflections of our partners and employees as they thought of the work of our Members.

As the Board of Directors, Members, and employees delved into the conversation about the future of the housing industry and the Company, we realized how fundamental *Home. Affordability. Independence* was to everything HAI Group

does. As Members, it defines our essential role in our communities; as employees, it speaks to how we can support the basic needs and services that Members are engaged in every day; and to the Board of Directors and Leadership Team, it must be the driving force behind all that we do as leaders of this Company.

HAI Group recognized that we have an incredible opportunity because our Members are undergoing such significant transformations. The Company has the ability and responsibility to work through these times of transformation with our Members, in alignment with them and involved in every aspect of the work before them. With core insurance products, the heartbeat of our Company, we dove deeper and adjusted our processes. HAI Group made significant progress with the *ReThink: Why Housing Matters* initiative, our Capital and Learning Solutions, and many of our other initiatives and products. With new Mission and Vision statements, we can now move forward with our Members, providing more assistance tailored to their needs and future. The clarity in these changes strengthens who we are as a Company and helps us to prioritize and strategize our future endeavors.

In 2017, my hopes are to continue the conversations we have started, and to strengthen all our relationships in order to really focus in on the implementation of our Mission and Vision. The HAI Group Board of Directors, Members, and employees have built a solid foundation and will now continue to construct on top of it. Though the Company and its Members, work in times of great change, HAI Group remains a Company of excellence. HAI Group will maintain that status and continue to be the Company our Members rely on for the solutions in an ever-changing world.

EVOLUTION

When a new home is built, in order to make that home solid, sturdy, and functional for years to come, a strong foundation must be laid. As HAI Group approaches some of the most significant and necessary transformations of its time, it was imperative to build such a foundation from which this evolution will emerge.

This foundation was constructed throughout 2016. The year began with the implementation of new leadership. John C. Thomson began his journey as the President and Chief Executive Officer of HAI Group, and Christine Hart took her place as the HAI Group Board Chair. With this change, came a breadth of innovative ideas, groundbreaking business practices, and exciting developments to HAI Group products and services. All of these advances were made in order to align with the goals of the Members.

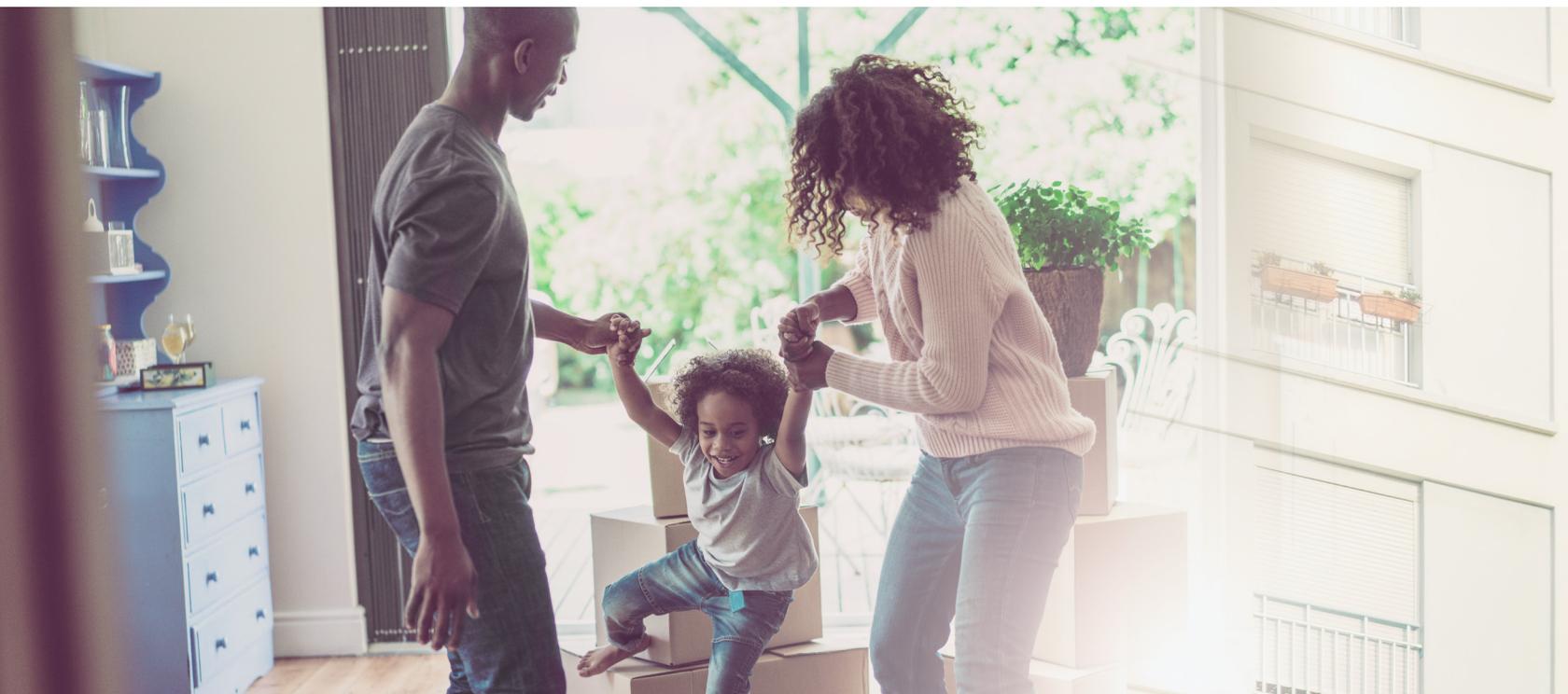
One of the first questions Mr. Thomson asked when he started was; "What does the 'HAI' in HAI Group stand for?" In the past, one would have replied that it stood for Housing Author-

ity Insurance Group. But as the housing industry moves forward, HAI Group and its Members needs have changed and will continue to change. HAI Group is not merely an insurance company, but a provider of solutions for all public and affordable housing entities as well as a business with a purpose.

After much thought and consideration of what the goals of our Members are, and therefore what HAI Group's goals are, it was decided that "HAI" stood for

**"HOME. AFFORDABILITY.
INDEPENDENCE."**

These words encompass the values behind the work that our industry does every day.



HOME. AFFORDABILITY. INDEPENDENCE.

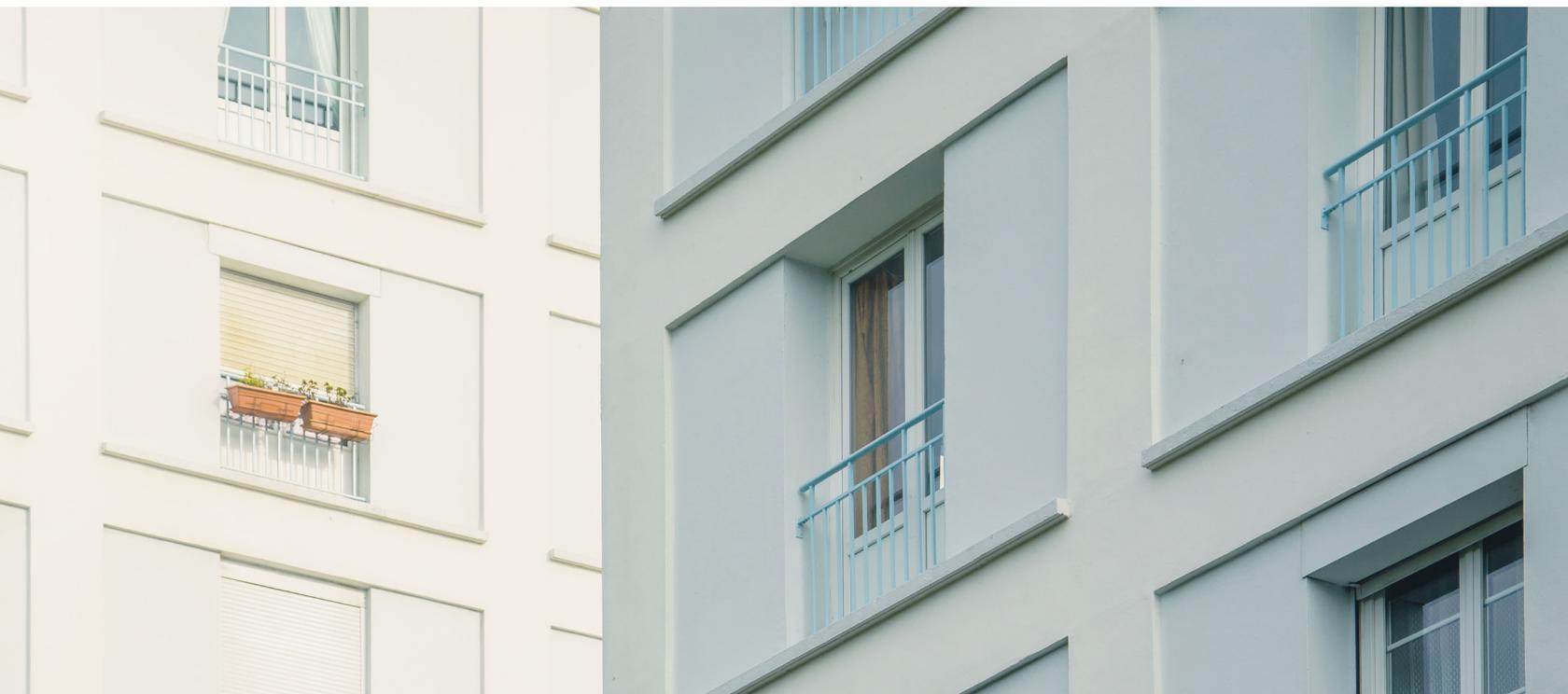
As the year continued, the HAI Group Board of Directors, Committee Members, employees, and business partners began to work collaboratively and interactively creating a Strategic Plan to move forward along with ever-changing public and affordable housing industry landscape. HAI Group has made every effort to ensure that our products and services evolved alongside these industry changes.

HAI Group's Insurance Solution developed newer processes to lead these changes. Underwriting, in collaboration with Product Management, continued to develop new programs, coverage forms, and pricing strategies to address the evolving needs of the housing industry. The Claim Team simplified claim reporting and developed an online tool to make it easier for our Members. Risk Control established new practices and distributed pertinent information to our Members to keep them protected and safe. As the industry moves in a new direction, HAI Group is staying one step ahead; anticipating and preparing for what the needs of our Members will be. In order to best accomplish this, we have created an extra

level of customer service for Member convenience, our new Account Management Team. This Team will assist with insurance, learning, research, development, and more - with just one call, offering HAI Group Members a single point of contact where all questions will be answered, quickly and easily.

HAI Group's independent Research Center, the Public and Affordable Housing Research Corporation (PAHRC) released its annual *PAHRC Report* along with hosting the first ever PAHRC Report Forum, showcasing the need for affordable housing and how the need is expected to grow even more critical. The report also documented how housing providers and community development stakeholders are creating innovative solutions to pair housing and resident services to strengthen our nation's affordable housing stock and improve the lives of low-income families.

HAI Group's e-Learning Solution, HTVN, utilized resources to create accessible, affordable training for our Members that was relevant to the changes within the industry.



They developed new courses to keep Members akin to the newest rules and regulations, like “Navigating the HUD Streamlining Rule” and helped to protect our Members and their communities with “How to Avoid Housing Scams.”

Part of a brand new endeavor in late 2015 and early 2016 was in HAI Group’s Capital Solution division. The Housing Credit Enrichment Program began engaging in the business of assisting public housing authorities and their affiliates by sponsoring and participating in the transformation of their housing portfolio.

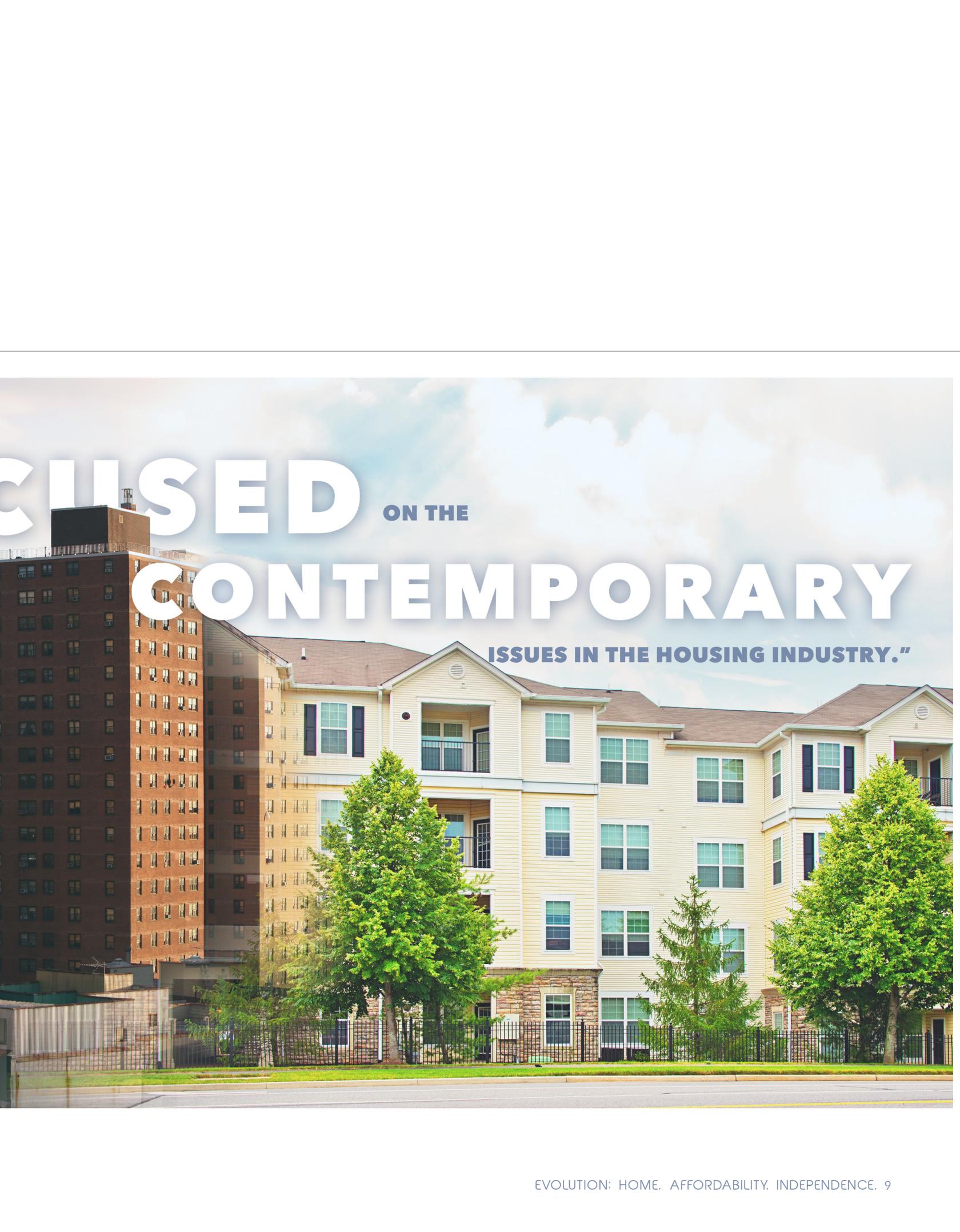
As the need for awareness raises, HAI Group’s *ReThink: Why Housing Matters* initiative took a new approach and embarked on a nationwide tour of the documentary film “Our Journey Home” in 2016, partnering with other local organizations close to the cause, to continue its efforts in changing the public’s perception of public and affordable housing. The tour stopped in more than 20 cities nationwide and was able to help change perceptions of millions of Americans.

At the beginning of December, the HAI Group Board of Directors and management made the decision to no longer offer its technology solution/software, *HousingHub*. As a Company who has served the public and affordable housing industry for 30 years, we have seen many products come and go. While it was the appropriate time for *HousingHub* to exit, we remain steadfast in our Mission - to be relentlessly committed to providing reliable insurance solutions, products, and services to the affordable housing community in a manner which exceeds expectations. The anticipated progression within the industry has made it clear to the HAI Group Board of Directors and management that this change and constant evolution is essential for success.

It is evident that HAI Group is moving into a new era; transforming and evolving into a Company focused on the contemporary issues within the housing industry. HAI Group is a company structured around the importance of home, affordability, and independence in order to build a foundation for the transformation of the future of the housing industry. The future of housing is forthcoming and HAI Group is prepared for what’s to come. »

**“...HAI GROUP IS
MOVING INTO A NEW
ERA; TRANSFORMING
AND EVOLVING INTO
A COMPANY...”**





FOCUSSED ON THE CONTEMPORARY

ISSUES IN THE HOUSING INDUSTRY."

OUR COMPANIES

HOUSING AUTHORITY RISK RETENTION GROUP, INC. (HARRG)

HARRG provides liability insurance to public housing authorities. Available coverages include general liability, public officials' errors and omissions, employment practices, law enforcement, lead-based paint, employee benefit, auto, hired and non-owned auto, mold, and terrorism. HARRG is owned by the Members it insures. HARRG is a nonprofit, tax-exempt captive mutual risk retention group, operating under the Federal Risk Retention Act, licensed and domiciled in Vermont. HARRG began operation on June 1, 1987, and was incorporated on March 20, 1987.

HOUSING AUTHORITY PROPERTY INSURANCE, A MUTUAL COMPANY (HAPI)

HAPI is a licensed insurer and reinsurer providing commercial property and liability insurance coverage to public housing authorities. Available coverages include property, inland marine, equipment breakdown, auto liability, physical damage, fidelity, crime, liability, and terrorism. HAPI is owned by the Members it insures. HAPI is a traditional mutual insurer domiciled and licensed in Vermont. HAPI is licensed in 48 states and the District of Columbia. HAPI began operation on August 1, 1988, as a mutual association captive. HAPI converted its charter in 2003 to a nonprofit, tax exempt, traditional mutual insurer and issues policies on a direct basis. HAPI was incorporated in Vermont on March 20, 1987.

HOUSING ENTERPRISE INSURANCE COMPANY, INC. (HEIC)

HEIC is a licensed insurer providing commercial insurance and risk management programs to affordable housing providers. Available coverages include property, liability, inland marine, hired and non-owned auto, equipment breakdown, and terrorism. HEIC is licensed in 48 states and the District of Columbia. The company is jointly owned by HARRG and HAPI as a subsidiary. HEIC began operation in August, 2001, and converted its charter to a for-profit, admitted licensed stock insurer domiciled in Vermont on December 31, 2007. HEIC was originally formed as a sponsored captive insurer, Housing Enterprise Risk Services, Inc. (HERS), which was incorporated in Vermont on August 20, 2000.

HOUSING SPECIALTY INSURANCE COMPANY, INC. (HSIC)

HSIC is an Excess and Surplus Lines insurer which provides a non-traditional insurance program to public and affordable housing providers throughout the United States. The company is jointly owned by HARRG and HAPI as a subsidiary. HSIC is a for-profit, property and casualty stock insurer domiciled in Vermont on January 15, 2014. HSIC was incorporated in Vermont on December 9, 2013.

HOUSING INSURANCE SERVICES, INC.

HIS provides agent and broker services to public and affordable housing providers and their agents to procure insurance products. HIS is licensed as an agency, broker, or surplus lines broker in various states. HIS is a wholly-owned subsidiary of HIG. HIS is a for-profit corporation incorporated in Connecticut on February 14, 1991.

HOUSING AUTHORITY INSURANCE, INC.

HAI sponsors programs for its Membership, including insurance and risk management programs, scholarship and internship programs, and charitable activities. HAI advocates and supports legislative and regulatory issues that help to improve the public and affordable housing industries and was domiciled in Washington, DC. HAI is a nonprofit association incorporated in 1987.



HOUSING TELECOMMUNICATIONS, INC.

(HTI) HTI is responsible for delivering training and education programs via the Internet. HTI began operations on December 28, 1995, and originally delivered services via satellite broadcast and converted to web-streaming technology. HTI is a non-profit organization incorporated in Connecticut in September 1993.

HOUSING INVESTMENT GROUP, INC.

(HIG) HIG is responsible for investing in opportunities that further the Missions of HARRG and HAPI. HIG is a downstream, for-profit business serving as an investment holding company owned jointly by HARRG and HAPI. HIG owns three taxable subsidiaries, HAGL, HIS, and HSS. The financials of for-profit ventures have been consolidated since January 1, 1996. HIG was incorporated in Delaware in June 1995.

PUBLIC AND AFFORDABLE HOUSING RESEARCH CORPORATION (PAHRC)

PAHRC strives to be the nexus for current data and research on public housing industries to support the efforts of the industry at large and to enhance the quality of life for its stakeholders. PAHRC collects primary data from the industry and compiles data from a variety of secondary data sources. PAHRC generates industry-specific reports and frequently works in partnership with industry groups in support of its stakeholders. PAHRC is a nonprofit organization incorporated in Connecticut in March 2011.

HOUSING SYSTEMS SOLUTIONS, INC.

(HSS) The mission of HSS is to improve public and affordable housing providers' ability to meet the needs of their clients and communities through actionable insight and more efficient operations. The company provides business software and consulting solutions to public housing authorities and other affordable housing providers. HSS is a for-profit corporation, wholly owned by HIG, incorporated in Connecticut in April 2011.

INNOVATIVE HOUSING INSURANCE COMPANY, INC. (IHIC)

IHIC is a captive insurance company owned by HARRG. It engages in the business of insuring and reinsuring various types of risks. IHIC is licensed and domiciled in Vermont. IHIC began operation on November 1, 2015 and was incorporated in July 2015.

HOUSING ALLIANCE GROUP, LLC (HAGL)

HAGL engages in the business of assisting public housing authorities and their affiliates by sponsoring and participating in the transformation of their housing portfolio. HAGL is a limited liability company whose sole member is HIG and it is incorporated and domiciled in Vermont. HAGL began operation on November 1, 2015 and was incorporated in July 2015.



2016 BOARD AND COMMITTEE MEMBERS



AUDIT

James DiPaolo, *Chair*; Ed Hinojosa; J. Len Williams; Douglas Dzema

(NOT IN PHOTO) John Foos, *Vice Chair*



BOARD OF DIRECTORS

(FRONT ROW) James DiPaolo, *Vice Chair*; J. Len Williams; Christine Hart, *Chair*; L. Glen Redding; Joseph Shuldiner; Douglas Dzema

(BACK ROW) Edwin Lowndes; Gary Wasson; Russell Young; Ed Hinojosa



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(NOT IN PHOTO) Patricia Baines-Lake; Caster Binion; Aaron Cooper; Stephanie Cowart; Tyrone Garrett; Michael Hagemeyer; Shannell Hardwick; June Parker; Mike Santangelo



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(NOT IN PHOTO) Tyrone Garrett



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(FRONT ROW) Sarah Rodriguez; Courtney Rice; Amy Galvin

(BACK ROW) Mark Wilson; John C. Thomson; Ed Malaspina





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(NOT IN PHOTO) Tyrone Garrett, *Vice Chair*



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 David Paccone
(THIRD ROW) David Allen Brown; Edwin Lowndes; Scott Bertrand;
 Margarita Shif; Maria Zissimos; Joseph Shuldiner; Lori Hoppe
(BACK ROW) Herman Hill; Jane Smith; Gary Wasson; James DiPaolo
(NOT IN PHOTO) Fernando Aniban, *Vice Chair*; Taryl Bonds; John Foos;
 June Parker; Chelsea Johnson; Jeffery Patterson



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(BACK ROW) Russell Young; James DiPaolo



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(NOT IN PHOTO) Tyrone Garrett; Kevin Loso



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Courtney Rice; Amy Galvin

(BACK ROW) Mark Wilson; Brian Robinson; John C. Thomson;
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(NOT IN PHOTO) Matt Cripps; Kristina Gumbulevich



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Janis Holt; Christi McNeil; Owen Ahearn

(BACK ROW) Kenneth Martin; Larry Williams; Mike Santangelo; Gary Wasson;
Matt Mills; Ed Hinojosa

(NOT IN PHOTO) Michael Hagemeyer; Kevin Loso; Joseph Macaluso;
Richard Whitworth



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Sanders-Garrett; Patricia Duffy; Glen Redding; Bonnie Latting; Kathi Sulsky;
Sophia Banks; David Allen Brown; Mark Ouellet

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(Bud) Myers; David Paccone; Douglas Dzema

(BACK ROW) W. Christopher White; Mark Gillett, *Vice Chair*; Scott Bertrand;
George Guy; Larry Williams

(NOT IN PHOTO) Artesia Dupree; Boyd Fetterolf; Kevin Loso; Shannon Oury;
Liane Ward



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(BACK ROW) Anthony Johnson; Gary Wasson, *Chair*; Hurticene Hardaway; Arthur Martin; Andre Shivers

(NOT IN PHOTO) Mark Abernathy; Boyd Fetterolf; Richard Whitworth



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(BACK ROW) Sophie George; Cheyanne Spoto; Shelette Veal, *Vice Chair*; Gary Evangelista; Anthony Goodson

(NOT IN PHOTO) Tyrone Garrett, *Chair*; Patricia Baines-Lake; Barbara Berg; Modesto Candelario; Aaron Cooper; John Fooks; Dale Priestler; Jeffrey Wade



FINANCIAL STATEMENTS

(AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015)

The following financial information should be read in conjunction with the financial statements and related notes as presented in HAI Group's 2016 *Audited Financial Statements* supplement. This can be found on our website at www.housingcenter.com/AuditedFinancialStatements.

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CONSOLIDATED BALANCE SHEETS

December 31, 2016 and 2015	2016	2015
ASSETS		
Assets:		
Investments:		
Available for sale, at fair value	\$ 293,959,537	\$ 302,293,836
Federal Home Loan Bank of Boston stock, at cost	240,300	-
Investment in HIG	4,744,836	6,089,987
Investment in HSIC	7,854,348	7,722,735
Total investments	306,799,021	316,106,558
Cash and cash equivalents	8,635,495	9,886,290
Reinsurance recoverables on unpaid losses	5,053,727	1,972,272
Reinsurance recoverables on paid losses	2,937,303	473,811
Premiums receivable	22,017,691	20,836,821
Prepaid reinsurance premiums	4,960,476	5,279,103
Due from affiliates	2,240,139	1,422,504
Accrued investment income	1,267,977	1,246,467
Deferred policy acquisition costs	2,919,318	2,663,530
Deferred tax asset	-	2,192,227
Investments receivable	2,400,000	-
Property and equipment, net	20,287,606	17,957,389
Other assets	4,437,795	3,885,013
Total assets	<u>\$ 383,956,548</u>	<u>\$ 383,921,985</u>
LIABILITIES AND EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 127,584,448	\$ 108,490,516
Unearned premiums	33,360,289	30,933,729
Reinsurance balances payable	1,402,041	2,256,244
Term loan	7,011,156	7,495,807
Accrued policyholder dividends	1,066,943	3,970,000
Advance premiums	7,828,361	6,914,704
Due to affiliates	6,741	47,108
Accrued expenses and other liabilities	9,566,063	11,641,203
Federal income taxes payable	1,846	13,523
Total liabilities	187,827,888	171,762,834
Equity:		
Members' contributions	10,952,114	10,921,290
Accumulated other comprehensive income	5,765,173	3,809,081
Retained earnings	166,465,299	183,897,120
Total equity before non-controlling interest	183,182,586	198,627,491
Non-controlling interest	12,946,074	13,531,660
Total equity	196,128,660	212,159,151
Total liabilities and equity	<u>\$ 383,956,548</u>	<u>\$ 383,921,985</u>

Housing Authority Risk Retention Group, Inc. And Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS



For the Years Ended December 31, 2016 and 2015	2016	2015
Revenues:		
Premiums earned	\$ 67,303,377	\$ 61,232,583
Ceded premiums earned	(11,262,340)	(10,675,801)
Net premiums earned	56,041,037	50,556,782
Investment gain	7,720,784	7,398,698
Unrealized loss on investments in affiliates	(5,260,584)	(3,340,485)
Net realized investment gains	829,790	5,431,632
Total revenues	59,331,027	60,046,627
Expenses:		
Losses and loss adjustment expenses	51,360,065	33,981,332
Salaries and other compensation	9,355,151	8,639,044
Contractual services and professional fees	1,188,831	1,009,266
General and administrative expenses	7,501,063	7,006,374
Policy acquisition costs	4,241,328	3,857,620
Total expenses	73,646,438	54,493,636
Policyholder dividends	708,234	4,216,719
Net (loss) income before federal income tax expense	(15,023,645)	1,336,272
Federal income tax expense	2,362,586	574,872
Net (loss) income	(17,386,231)	761,400
Less net (loss) income attributable to non-controlling interest	(480,255)	113,172
Net (loss) income attributable to the Company	(16,905,976)	648,228
Other comprehensive income (loss):		
Unrealized holding gains (losses) on available for sale securities, net of tax benefit of \$117,583 and \$234,002 in 2016 and 2015, respectively	2,596,452	(3,695,312)
Reclassification adjustments for realized gains included in net (loss) income, net of tax expense of \$37,183 and \$10,212 in 2016 and 2015, respectively	(745,691)	(5,408,536)
Other comprehensive income (loss):	1,850,761	(9,103,848)
Less other comprehensive loss attributable to non-controlling interest	(105,331)	(166,096)
Other comprehensive income (loss) attributable to the Company	1,956,092	(8,937,752)
Comprehensive loss attributable to the Company	\$ (14,949,884)	\$ (8,289,523)

For the Years Ended December 31, 2016 and 2015	Members' Contribu- tions	Accumulated Other Comprehen- sive Income	Retained Earnings	Total Equity Before Non- controlling Interest	Non- controlling Interest	Total Equity
Balance as of January 1, 2015	\$ 10,837,948	\$ 12,746,833	\$ 184,047,486	\$ 207,632,267	\$ 13,584,584	\$ 221,216,851
Net income	-	-	648,228	648,228	113,172	761,400
Other comprehensive loss	-	(8,937,752)	-	(8,937,752)	(166,096)	(9,103,848)
Equity dividends	-	-	(724,041)	(724,041)	-	(724,041)
Members' contributions, net	8,789	-	-	8,789	-	8,789
Members' recapitalization dividends	74,553	-	(74,553)	-	-	-
Balance as of December 31, 2015	10,921,290	3,809,081	183,897,120	198,627,491	13,531,660	212,159,151
Net loss	-	-	(16,905,976)	(16,905,976)	(480,255)	(17,386,231)
Other comprehensive income	-	1,956,092	-	1,956,092	(105,331)	1,850,761
Equity dividends	-	-	(496,922)	(496,922)	-	(496,922)
Members' contributions, net	1,901	-	-	1,901	-	1,901
Members' recapitalization dividends	28,923	-	(28,923)	-	-	-
Balance as of December 31, 2016	<u>\$ 10,952,114</u>	<u>\$ 5,765,173</u>	<u>\$ 166,465,299</u>	<u>\$ 183,182,586</u>	<u>\$ 12,946,074</u>	<u>\$ 196,128,660</u>

BALANCE SHEETS

December 31, 2016 and 2015	2016	2015
ASSETS		
Assets:		
Investments:		
Available-for-sale, at fair value	\$ 120,857,873	\$ 117,313,824
Federal Home Loan Bank of Boston stock, at cost	158,900	-
Investment in HEIC	12,946,076	13,531,660
Investment in HIG	4,744,836	6,089,987
Investment in HSIC	7,854,348	7,722,735
Total investments	146,562,033	144,658,206
Cash and cash equivalents	6,779,398	6,384,365
Premiums receivable	23,606,382	24,795,845
Reinsurance recoverables on unpaid losses	8,529,412	3,982,315
Reinsurance recoverables on paid losses	3,999,638	4,185,682
Prepaid reinsurance premiums	5,742,495	6,557,404
Deferred policy acquisition costs	1,813,924	1,861,386
Other assets	768,555	764,870
Due from affiliates	10,588	-
Total assets	<u>\$ 197,812,425</u>	<u>\$ 193,190,073</u>
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 35,563,733	26,533,880
Unearned premiums	23,677,790	24,074,625
Reinsurance payable	2,051,961	2,119,951
Accrued expenses and other liabilities	1,933,409	2,173,065
Accrued policyholder dividends	6,678	955,000
Due to affiliates	1,078,500	392,669
Advance premiums	11,288,926	11,707,463
Total liabilities	75,600,997	67,956,653
Members' equity:		
Members' contributions	10,075,797	10,032,267
Accumulated other comprehensive income	3,306,707	2,657,484
Unassigned surplus	108,828,924	112,543,669
Total Members' equity	122,211,428	125,233,420
Total liabilities and Members' equity	<u>\$ 197,812,425</u>	<u>\$ 193,190,073</u>

For the Years Ended December 31, 2016 and 2015	2016	2015
Revenues:		
Premiums earned	\$ 58,011,013	\$ 56,220,823
Ceded premiums earned	(14,931,125)	(15,560,670)
Net premiums earned	43,079,888	40,660,153
Investment income, net	3,057,887	2,889,516
Unrealized loss on investments in affiliates	(5,740,838)	(3,227,311)
Net realized investment gains	47,029	2,442,829
Total revenues	40,443,966	42,765,187
Expenses:		
Losses and loss adjustment expenses	28,617,221	20,116,027
Salaries and other compensation	4,898,374	5,285,082
General and administrative expenses	9,581,800	10,219,044
Contracted services and professional fees	895,531	1,258,460
Total expenses	43,992,926	36,878,613
Net (loss) income before policyholder dividends	(3,548,960)	5,886,574
Policyholder dividends	-	(449,861)
Net (loss) income	(3,548,960)	5,436,713
Other comprehensive income (loss)		
Unrealized holding gains (losses)	696,252	(1,822,664)
Reclassification for realized gains on sales included in net (loss) income	(47,029)	(2,442,829)
Other comprehensive income (loss)	649,223	(4,265,493)
Comprehensive (loss) income	\$ (2,899,737)	\$ 1,171,220

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

For the Years Ended December 31, 2016 and 2015	Members' Contributions	Accumulated Other Comprehensive Income	Unassigned Surplus	Total
Balance as of January 1, 2015	\$ 9,980,270	\$ 6,922,977	\$ 107,301,722	\$ 124,204,969
Net income	-	-	5,436,713	5,436,713
Other comprehensive loss	-	(4,265,493)	-	(4,265,493)
Equity dividends	-	-	(184,225)	(184,225)
Members' contributions, net	41,456	-	-	41,456
Members' recapitalization dividends	10,541	-	(10,541)	-
Balance as of December 31, 2015	10,032,267	2,657,484	112,543,669	125,233,420
Net loss	-	-	(3,548,960)	(3,548,960)
Other comprehensive income	-	649,223	-	649,223
Equity dividends	-	-	(124,455)	(124,455)
Members' contributions, net	2,200	-	-	2,200
Members' recapitalization dividends	41,330	-	(41,330)	-
Balance as of December 31, 2016	\$ 10,075,797	\$ 3,306,707	\$ 108,828,924	\$ 122,211,428

December 31, 2016 and 2015

2016

2015

	2016	2015
ASSETS		
Assets:		
Cash and cash equivalents	\$ 3,349,186	\$ 5,324,284
Investments available for sale, at fair value	60,414,386	56,564,660
Premiums receivable	14,085,838	12,073,709
Reinsurance recoverables on unpaid losses	4,385,865	1,156,314
Reinsurance recoverables on paid losses	1,459,698	200,547
Prepaid reinsurance	4,131,374	4,468,250
Deferred policy acquisition costs	2,496,191	2,251,891
Deferred tax asset	-	2,189,222
Investments receivable	2,400,000	-
Accrued interest and other assets	523,963	477,562
Total assets	\$ 93,246,501	\$ 84,706,439
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 32,036,844	\$ 25,464,291
Unearned premiums	19,039,416	16,618,388
Reinsurance payable	874,576	1,128,698
Due to affiliates	552,153	280,766
Accounts payable and other liabilities	1,210,185	947,236
Advance premiums	4,201,357	3,250,313
Federal income taxes payable	1,846	13,523
Total liabilities	57,916,377	47,703,215
Shareholders' equity:		
Common stock, \$10,000 stated value, 10,000 shares authorized and 2,000 issued and outstanding	20,000,000	20,000,000
Contributed surplus	29,000,000	29,000,000
Accumulated other comprehensive income	243,195	544,142
Retained deficit	(13,913,071)	(12,540,918)
Total shareholders' equity	35,330,124	37,003,224
Total liabilities and shareholders' equity	\$ 93,246,501	\$ 84,706,439

STATEMENTS OF COMPREHENSIVE LOSS

For the Years Ended December 31, 2016 and 2015

	2016	2015
Revenues:		
Premium earned	\$ 33,799,543	\$ 28,296,258
Ceded premiums earned	(9,012,881)	(8,512,067)
Net premiums earned	\$ 24,786,662	\$ 19,784,191
Investment income, net	1,322,784	1,280,234
Realized gains, net	109,361	30,034
Total revenues	26,218,807	21,094,459
Expenses:		
Losses and loss adjustment expenses	16,017,489	12,012,249
Salaries and benefits	3,005,998	2,781,150
General and administrative expenses	2,945,488	2,517,999
Agency commissions	3,262,404	2,881,835
Total expenses	25,231,379	20,193,233
Net income before federal income tax expense	987,428	901,226
Federal income tax expense	2,359,581	577,877
Net (loss) income	(1,372,153)	323,349
Other comprehensive income (loss):		
Unrealized holding gains (losses) on available for sale securities, net of tax benefit of \$117,853 and \$234,002 in 2016 and 2015, respectively	(228,769)	(454,241)
Reclassification adjustments for realized gains included in net (loss) income, net of tax expense of \$37,183 and \$10,212 in 2016 and 2015, respectively	(72,178)	(19,822)
Other comprehensive loss	(300,947)	(474,063)
Comprehensive loss	<u>\$ (1,673,100)</u>	<u>\$ (150,714)</u>



Housing Enterprise Insurance Company, Inc.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2016 and 2015	Common Stock		Contributed Surplus	Accumulated Other Comprehensive Income	Retained Deficit	Total Shareholders' Equity
	Shares	Amount				
Balance as of January 1, 2015	2,000	\$ 20,000,000	\$ 29,000,000	\$ 1,018,205	\$(12,864,267)	\$ 37,153,938
Other comprehensive loss	-	-	-	(474,063)	-	(474,063)
Net income	-	-	-	-	323,349	323,349
Balance as of December 31, 2015	2,000	\$ 20,000,000	\$ 29,000,000	\$ 544,142	\$(12,540,918)	\$ 37,003,224
Other comprehensive loss	-	-	-	(300,947)	-	(300,947)
Net loss	-	-	-	-	(1,372,153)	(1,372,153)
Balance as of December 31, 2016	2,000	\$ 20,000,000	\$ 29,000,000	\$ 243,195	\$(13,913,071)	\$ 35,330,124

BALANCE SHEETS

December 31, 2016 and 2015	2016	2015
ASSETS		
Assets:		
Cash and cash equivalents	\$ 658,271	\$ 981,768
Investments available for sale, at fair value	15,727,613	14,919,701
Due from affiliates	5,763	-
Premiums receivable	309,884	306,304
Prepaid reinsurance	156,308	186,638
Deferred policy acquisition costs	49,830	51,101
Accrued interest and other assets	92,540	86,085
Total assets	<u>\$ 17,000,209</u>	<u>\$ 16,531,597</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 599,310	\$ 345,720
Unearned premiums	496,529	510,273
Reinsurance payable	104,621	112,736
Due to affiliates	67,673	69,788
Accounts payable and other liabilities	23,379	47,608
Total liabilities	1,291,512	1,086,125
Shareholders' equity:		
Common stock, \$10,000 stated value, 10,000 shares authorized and 200 shares issued and outstanding	2,000,000	2,000,000
Contributed surplus	14,000,000	14,000,000
Accumulated other comprehensive loss	(12,149)	(106,240)
Retained deficit	(279,154)	(448,288)
Total shareholders' equity	15,708,697	15,445,472
Total liabilities and shareholders' equity	<u>\$ 17,000,209</u>	<u>\$ 16,531,597</u>

For the Years Ended December 31, 2016 and 2015	2016	2015
Revenues:		
Premiums earned	\$ 1,699,405	\$ 1,192,063
Ceded premiums earned	(561,276)	(421,965)
Net premiums earned	1,138,129	770,098
Investment income, net	\$ 338,592	\$ 287,399
Realized gain, net	67,655	83,264
Total revenues	1,544,376	1,140,761
Expenses:		
Losses and loss adjustment expenses	563,065	408,151
Salaries and benefits	425,462	367,552
General and administrative expenses	218,842	303,023
Agency commissions	167,873	119,135
Total expenses	1,375,242	1,197,861
Net income (loss) before federal income tax expense	169,134	(57,100)
Federal income tax expense	-	15,052
Net income (loss)	169,134	(72,152)
Other comprehensive income (loss), net of tax		
Unrealized holding gains (losses) on available for sale securities, net of tax expense of \$0 and \$13,259 in 2016 and 2015, respectively	138,743	(80,504)
Reclassification adjustments for realized gains included in net income (loss), net of tax expense of \$23,003 and \$28,310 in 2016 and 2015, respectively	(44,652)	(54,954)
Other comprehensive income (loss)	94,091	(135,458)
Comprehensive income (loss)	\$ 263,225	\$ (207,610)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

HSIC

For the Years Ended December 31, 2016 and 2015	Common Stock		Contributed Surplus	Accumulated Other Comprehen- sive (Loss) Income	Retained Deficit	Total Share holders' Equity
	Shares	Amount				
Balance as of January 1, 2015	200	\$ 2,000,000	\$ 14,000,000	\$ 29,218	\$ (376,136)	\$ 15,653,082
Other comprehensive loss	-	-	-	(135,458)	-	(135,458)
Net loss	-	-	-	-	(72,152)	(72,152)
Balance as of December 31, 2015	200	\$ 2,000,000	\$ 14,000,000	\$ (106,240)	\$ (448,288)	\$ 15,445,472
Other comprehensive income	-	-	-	94,019	-	94,019
Net income	-	-	-	-	169,134	169,134
Balance as of December 31, 2016	200	\$ 2,000,000	\$ 14,000,000	\$ (12,149)	\$ (279,154)	\$ 15,708,697



December 31, 2016 and 2015	2016	2015
ASSETS		
Assets:		
Cash and cash equivalents	\$ 1,654,420	\$ 998,125
Deferred tax asset	-	3,005
Total assets	<u>\$ 1,654,420</u>	<u>\$ 1,001,130</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Unearned premiums	\$ 15,587	\$ -
Due to affiliate	7,434	6,962
Total liabilities	23,021	6,962
Shareholders' equity		
Common stock, \$10,000 stated value, 10,000 shares authorized and 50 shares issued and outstanding	500,000	500,000
Contributed surplus	1,250,000	500,000
Retained deficit	(118,601)	(5,832)
Total shareholders' equity	1,631,399	994,168
Total liabilities and shareholders' equity	<u>\$ 1,654,420</u>	<u>\$ 1,001,130</u>

STATEMENT OF OPERATIONS



For the Year Ended December 31, 2016 and the Period Ended December 31, 2015	2016	2015
Revenues:		
Premiums earned	\$ 9,413	\$ -
Interest income	177	-
Total revenues	9,590	-
Expenses:		
Salaries and benefits	80,197	7,587
General and administrative expenses	39,157	1,250
Total expenses	119,354	8,837
Net loss before federal income tax expense (benefit)	(109,764)	(8,837)
Federal tax expense (benefit)	3,005	(3,005)
Net Loss	\$ (112,769)	\$ (5,832)

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the Year Ended December 31, 2016 and the Period Ended December 31, 2015	Common Stock		Contributed Surplus	Retained Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance as of July 21, 2015 (commencement of operations)	-	\$ -	\$ -	\$ -	-
Issuance of common stock	50	500,000	500,000	-	1,000,000
Net loss	-	-	-	(5,832)	(5,832)
Balance as of December 31, 2015	50	500,000	500,000	(5,832)	994,168
Contributed capital	-	-	750,000	-	750,000
Net loss	-	-	-	(112,769)	(112,769)
Balance as of December 31, 2016	50	\$ 500,000	\$ 1,250,000	\$ (118,601)	\$ 1,631,399

CONSOLIDATING BALANCE SHEET

December 31, 2016	Housing Investment Group, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Housing Alliance Group, LLC	Elimination Entries	Consolidated
ASSETS						
Assets:						
Cash	\$ 428,839	\$ 21,085,720	\$ 2,944,928	\$ 241,880	\$ -	\$ 24,701,367
Agency and commission accounts receivable	-	19,082,124	-	-	-	19,082,124
Due from related parties	25,705	74,075	317	-	(25,705)	74,392
Income taxes (payable) receivable	(240,828)	(218,205)	516,084	-	-	57,051
Other assets	59	47,640	60,581	34,166	-	142,446
Software and equipment (net of accumulated amortization and depreciation of \$2,796,404 in 2016)	-	-	20,139	-	-	20,139
Investment in HSS	2,314,423	-	-	-	(2,314,423)	-
Investment in HIS	6,766,106	-	-	-	(6,766,106)	-
Investment in HAG	241,114	-	-	-	(241,114)	-
Total assets	\$ 9,535,418	\$ 40,071,354	\$ 3,542,049	\$ 276,046	\$ (9,347,348)	\$ 44,077,519
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Commission payable and accounts current	\$ -	\$ 29,494,487	\$ -	\$ -	\$ -	\$ 29,494,487
Deferred commissions	-	3,087,534	-	-	-	3,087,534
Accounts payable and accrued expenses	12,832	290,796	952,732	9,227	-	1,265,587
Due to related parties	32,912	432,431	274,894	25,705	(25,705)	740,237
Total liabilities	45,744	33,305,248	1,227,626	34,932	(25,705)	34,587,845
Stockholders' equity:						
Common stock, Class A, no par value, \$5,000 per share stated value, 2 shares authorized, issued and outstanding	10,000	-	-	-	-	10,000
Common stock, Class B, no par value, various stated values, 300,000 shares authorized, 198,700 shares issued and outstanding	39,400,000	-	-	-	-	39,400,000
Common stock, no par value, \$25 per share stated value, 1,000 shares authorized, 1,000 shares issued and outstanding	-	25,000	-	-	(25,000)	-
Common stock, no par value, \$1,000 per share stated value, 41,200 shares authorized, issued and outstanding	-	-	41,200,000	-	(41,200,000)	-
Additional paid-in capital	269,664	-	-	700,000	(487,430)	482,234
Retained (deficit) earnings	(30,189,990)	6,741,106	(38,885,577)	(458,886)	32,390,787	(30,402,560)
Total stockholders' equity	9,489,674	6,766,106	2,314,423	241,114	(9,321,643)	9,489,674
Total liabilities and stockholders' equity	\$ 9,535,418	40,071,354	3,542,049	276,046	(9,347,348)	\$ 44,077,519



CONSOLIDATING BALANCE SHEET

December 31, 2015	Housing Investment Group, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Housing Alliance Group, LLC	Elimination Entries	Consolidated
ASSETS						
Assets:						
Cash	\$ 79,827	\$ 22,544,599	\$ 305,785	\$ 694,374	\$ -	\$ 23,624,585
Agency and commission accounts receivable	-	17,500,528	-	-	-	17,500,528
Due from related parties	14,600	281,663	46,319	-	(14,600)	327,982
Income taxes (payable) receivable	(134,301)	(1,819,706)	2,116,351	-	-	162,344
Other assets	1,117	155,867	47,658	-	-	204,642
Software and equipment (net of accumulated amortization and depreciation of \$1,700,199 in 2015)	-	-	4,075,432	-	-	4,075,432
Investment in HSS	5,537,464	-	-	-	(5,537,464)	-
Investment in HIS	6,041,797	-	-	-	(6,041,797)	-
Investment in HAG	679,720	-	-	-	(679,720)	-
Total assets	\$ 12,220,224	\$ 38,662,951	\$ 6,591,545	\$ 694,374	\$ (12,273,581)	\$ 45,895,513
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Commission payable and accounts current	\$ -	\$ 29,192,594	\$ -	\$ -	\$ -	\$ 29,192,594
Deferred commissions	-	3,005,071	-	-	-	3,005,071
Accounts payable and accrued expenses	1,052	174,958	685,706	-	-	861,716
Due to related parties	39,201	248,531	368,375	14,654	(14,600)	656,161
Total liabilities	40,253	32,621,154	1,054,081	14,654	(14,600)	33,715,542
Stockholders' equity:						
Common stock, Class A, no par value, \$5,000 per share stated value, 2 shares authorized, issued and outstanding	10,000	-	-	-	-	10,000
Common stock, Class B, no par value, various stated values, 300,000 shares authorized, 190,700 shares issued and outstanding	31,400,000	-	-	-	-	31,400,000
Common stock, no par value, \$25 per share stated value, 1,000 shares authorized, 1,000 shares issued and outstanding	-	25,000	-	-	(25,000)	-
Common stock, no par value, \$1,000 per share stated value, 33,200 shares authorized, issued and outstanding	-	-	33,200,000	-	(33,200,000)	-
Additional paid-in capital	269,664	-	-	700,000	(487,430)	482,234
Retained (deficit) earnings	(19,499,693)	6,016,797	(27,662,536)	(20,280)	21,453,449	(19,712,263)
Total stockholders' equity	12,179,971	6,041,797	5,537,464	679,720	(12,258,981)	12,179,971
Total liabilities and stockholders' equity	\$ 12,220,224	38,662,951	6,591,545	694,374	(12,273,581)	\$ 45,895,513

CONSOLIDATING STATEMENT OF OPERATIONS

December 31, 2016	Housing Investment Group, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Housing Alliance Group, LLC	Elimination Entries	Consoli- dated
Revenues:						
Commission income	\$ -	\$ 4,958,487	\$ -	\$ -	\$ -	\$ 4,958,487
Insurance management services	-	286,045	-	-	-	286,045
Product revenue	-	-	(60,776)	-	-	(60,776)
Other income	462,000	3,903	905	185,450	(462,000)	190,258
Loss on investment in subsidiaries	(10,937,338)	-	-	-	10,937,338	-
Total revenues	(10,475,338)	5,248,435	(59,871)	185,450	10,475,338	5,374,014
Expenses:						
Salaries and benefits	63,308	2,739,524	363,272	148,847	-	3,314,951
General and administrative	154,076	1,589,348	338,790	475,209	(462,000)	2,095,423
Software research and development	-	-	4,362,602	-	-	4,362,602
Impairment of software asset	-	-	2,984,088	-	-	2,984,088
Cost of product revenue	-	-	1,783,044	-	-	1,783,044
Sales expense	-	-	382,885	-	-	382,885
Depreciation	-	-	1,096,206	-	-	1,096,206
Total expenses	217,384	4,328,872	11,310,887	624,056	(462,000)	16,019,199
(Loss) income before income taxes	(10,692,722)	919,563	(11,370,758)	(438,606)	10,937,338	(10,645,185)
Income tax (benefit) expense	(2,425)	195,254	(147,717)	-	-	45,112
Net (loss) income	<u>\$(10,690,297)</u>	<u>\$ 724,309</u>	<u>\$(11,223,041)</u>	<u>\$ (438,606)</u>	<u>\$ 10,937,338</u>	<u>\$(10,690,297)</u>



CONSOLIDATING STATEMENT OF OPERATIONS

December 31, 2015	Housing Investment Group, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Housing Alliance Group, LLC	Elimination Entries	Consoli- dated
Revenues:						
Commission income	\$ -	\$ 4,894,489	\$ -	\$ -	\$ -	\$ 4,894,489
Insurance management services	-	221,754	-	-	-	221,754
Product revenue	-	-	44,856	-	-	44,856
Other income	199,500	1,705	1,364	-	(199,500)	3,069
Loss on investment in subsidiaries	(6,610,852)	-	-	-	6,610,852	-
Total revenues	(6,411,352)	5,117,948	46,220	-	6,411,352	5,164,168
Expenses:						
Salaries and benefits	65,489	2,689,739	757,630	20,226	-	3,533,084
General and administrative	134,436	1,298,548	1,000,398	54	(199,500)	2,233,936
Software research and development	-	-	2,602,539	-	-	2,602,539
Impairment of software asset	-	-	1,500,000	-	-	1,500,000
Cost of product revenue	-	-	665,897	-	-	665,897
Sales expense	-	-	249,432	-	-	249,432
Depreciation	445	-	934,010	-	-	934,455
Total expenses	200,370	3,988,287	7,709,906	20,280	(199,500)	11,719,343
(Loss) income before income taxes	(6,611,722)	1,129,661	(7,663,686)	(20,280)	6,610,852	(6,555,175)
Income tax (benefit) expense	(2,900)	433,732	(377,185)	-	-	53,647
Net (loss) income	\$ (6,608,822)	\$ 695,929	\$(7,286,501)	\$ (20,280)	\$ 6,610,852	\$ (6,608,822)

December 31, 2016 and 2015	2016	2015
ASSETS		
Assets:		
Cash	\$ 1,771,474	\$ 1,189,525
Accounts receivable	1,089	27,175
Prepaid expenses	82,308	154,216
Due from affiliates	-	55,696
Total assets	<u>\$ 1,854,871</u>	<u>\$ 1,426,612</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 55,823	\$ 17,060
Due to affiliates	194,675	112,729
Deferred income	-	49,500
Unearned subscription fees	605,265	670,292
Total liabilities	855,763	849,581
Unrestricted net assets	999,108	577,031
Total liabilities and net assets	<u>\$ 1,854,871</u>	<u>\$ 1,426,612</u>

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2016 and 2015	2016	2015
Unrestricted revenues:		
Subscription fees	\$ 879,776	\$ 788,613
Risk management service fees	100,000	125,000
Sponsorship fees	200,000	200,000
Pay per view fees	431,227	352,032
Contributions and other income	41,900	35,000
Total unrestricted revenues	1,652,903	1,500,645
Expenses:		
Salaries and benefits	638,532	624,269
General and administrative expenses	229,875	548,908
Program costs	362,419	274,172
Total expenses	1,230,826	1,447,349
Change in unrestricted net assets	422,077	53,296
Unrestricted net assets, beginning of year	577,031	523,725
Unrestricted net assets, end of year	\$ <u>999,108</u>	\$ <u>577,031</u>

December 31, 2016 and 2015	2016	2015
ASSETS		
Assets:		
Cash	\$ 1,241,646	\$ 1,039,483
Refundable advance	533,431	736,854
Due from affiliates	124,486	154,118
Prepaid expenses	34,542	50,147
Total assets	\$ 1,934,105	\$ 1,980,602
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 95,368	\$ 107,368
Grant payable to affiliate	37,018	-
Due to affiliates	201,858	455,631
Deferred grant revenue	715,732	953,317
Total liabilities	1,049,976	1,516,316
Unrestricted net assets	884,129	464,286
Total liabilities and net assets	\$ 1,934,105	\$ 1,980,602

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Years Ended December 31, 2016 and 2015	2016	2015
Unrestricted revenues:		
Membership fees	\$ 4,000,000	\$ 4,750,000
Grant revenue	487,584	1,753,832
Other revenue	508,001	636,647
Total unrestricted revenues	4,995,585	7,140,479
Expenses:		
Salaries and benefits	1,089,919	2,120,158
General and administrative expenses	1,330,810	3,325,758
Grants and donations	1,795,898	2,185,016
Event support	3,452	7,675
Member benefits	355,663	280,597
Total expenses	4,575,742	7,919,204
Change in unrestricted net assets	419,843	(778,725)
Unrestricted net assets, beginning of year	464,286	1,243,011
Unrestricted net assets, end of year	\$ 884,129	\$ 464,286

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015	2016	2015
ASSETS		
Assets:		
Cash	\$ 146,479	\$ 236,541
Grant receivable from affiliate	37,018	-
Prepaid expenses	2,516	7,960
Total assets	<u>\$ 186,013</u>	<u>\$ 244,501</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 138,075	\$ 33,652
Due to affiliate	47,938	77,009
Deferred grant revenue	-	133,840
Total liabilities	186,013	244,501
Unrestricted net assets	-	-
Total liabilities and net assets	<u>\$ 186,013</u>	<u>\$ 244,501</u>

For the Years Ended December 31, 2016 and 2015

	2016	2015
Unrestricted revenue:		
Grant revenue	\$ 920,858	\$ 861,504
Contribution income	-	9,014
Total revenue	920,858	870,518
Expenses:		
Salaries and benefits	\$ 381,736	352,971
General and administrative expenses	539,122	517,547
Total expenses	920,858	870,518
Change in unrestricted net assets	-	-
Unrestricted net assets, beginning of year	-	-
Unrestricted net assets, end of year	<u>\$ -</u>	<u>\$ -</u>