

LET THE LIGHT SHINE

2015 ANNUAL REPORT



CREDITS

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A LETTER FROM DAN LABRIE

President and Chief Executive Officer

“ I am honored and grateful to have served HAI Group. Together, we accomplished great things and made a positive impact on peoples’ lives. ”

By the time the *2015 Annual Report* – my 28th as an employee and 19th as CEO – reaches you, I will have retired as President and CEO from HAI Group. In advance of that event, I can confidently write how thankful I am for the Membership’s loyalty and for the special relationships I’ve formed since 1988.

That said, the *2015 Annual Report* is about HAI Group as a whole, not me. Together we built a special organization that has stood the test of time and will withstand many future challenges. The Board of Directors, Committee Members, management, employees, and business partners have always taken great care in pushing HAI Group forward. I am confident they will do so in the future.

As did most insurance companies, HAI Group faced its share of issues in 2015. The year began with months of subpar weather that negatively impacted our operating results. But we banded together and developed a recovery plan that allowed the insurance operation to meet its financial and operational goals by year-end. The fact that

A.M. Best Company reaffirmed our rating of ‘A (Excellent)’ with a stable outlook is icing on the cake.

Annual reports act as a snapshot of the immediate past and immediate future. The *2015 Annual Report* indicates that HAI Group remains the insurer of choice in the public and affordable housing industries. It also illustrates our commitment to doing what we can to serve our Members – be it software, accreditation, advocacy, research, distance learning, or whatever else might be needed.

In conclusion, I am honored and grateful to have served HAI Group. Together, we accomplished great things and made a positive impact on peoples’ lives.

A handwritten signature in black ink that reads "Dan Labrie".

A LETTER FROM LINNIE WILLIS

Chairman of the Board



“We must emit rays of light that expand far beyond our physical reach.”

Our 2014 Annual Report celebrated *Partnerships*, which are numerous and deeply entrenched in the rich culture and heritage of HAI Group.

As we continue supporting partnership and other collaborative initiatives, it is extremely important that we allow the *Light to Shine* in such a way that others see these good works and give credit where it is due. Our history as a Member-driven Company affords us a unique privilege that we enjoy without placing undue demands on any entity. We simply do what we do best for all the world to see.

The end of 2015 concludes my two-year tenure as Board Chair. Rather than focus on the end, though, let's turn our attention to the dawn of a new year with significant changes in the leadership and administration of HAI Group. In order to continue to *Let the Light Shine*, I challenge the Board of Directors and employees to act in a manner that will produce the best-possible results.

We must:

- Emit rays of light that expand far beyond our physical reach
- Be conspicuous/noticeable to all of our Members and business partners
- Continue to achieve the highest standards of excellence, while simultaneously giving the highest quality service to our constituency

- Be clear about our Mission, Vision, and message that we send to our Members and the housing industry
- Express with clarity how we will use our financial resources and human capital to serve the affordable housing industry

To *Let the Light* of HAI Group *Shine* means more than simply bragging, showing off, or making our presence known in a dominant fashion. It is about keeping a clear, undeniable focus on the types of good works that allow HAI Group and our very important partners to grow and thrive.

As my tenure as Board Chair comes to an end, I embark on a significant change. I am leaving one of the best positions that I have held. I sincerely hope that I was successful in making sure that the brilliant *Light* of the Company was not hidden under a bushel but was appropriately displayed for all to see.

Christine Hart, I yield the Chair to you. We are certainly in good hands. I have every confidence that you will advance HAI Group to the next level of excellence by letting our *Light Shine*.

Linnie B. Willis

OUR COMPANIES

We are a family of companies founded by and dedicated to serving the public and affordable housing community. We deliver innovative, tailor-made solutions to protect assets, improve efficiency, empower employees, and move housing strategies forward. Our portfolio includes insurance, software, capital, research, advocacy, and learning solutions.

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)

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)

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. 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 nonprofit 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.



**“AS WE LET OUR
LIGHT SHINE, WE
UNCONSCIOUSLY
GIVE OTHER PEOPLE
PERMISSION TO
DO THE SAME.”**

—Nelson Mandela

IN THE BEGINNING

HAI Group's journey from a startup – Housing Authority Risk Retention Group, Inc. (HARRG) – to the public and affordable housing industry leader was challenging. In 1987, HARRG focused on providing liability insurance to Member public housing authorities since traditional insurers would not. Now, having created numerous other products and services that serve Members, we are a light guiding them on the journey towards sustainability.

The theme of our *2015 Annual Report* is *Let the Light Shine*. Our founders were the first to shine a light during challenging times for the housing industry. Our employees continue that Mission today.

Dan Labrie, who joined the Company in 1988 and became President and Chief Executive Officer in 1997, has fond memories of the early days. "There were five of us in the office and there was uncertainty about the future of our Company," says Labrie, who announced his retirement in 2015. "Those serving on the Board of Directors were a special group of people who believed in the potential of the venture and were willing to invest money."

At the time, conversations with the Board of Directors centered on serving the insurance needs of housing authorities. Next, they asked "What's our strategy beyond providing liability insurance?" The answer was Housing Authority Property Insurance, A Mutual Company (HAPI), which made us a one-stop insurance shop for the housing industry. The reputation and credibility of HARRG and HAPI were solid. Member retention was high, and our insurance products were superior and affordable; so our reputation grew. The early years showed Members that HAI Group was here to stay.

With HARRG and HAPI providing reliable insurance coverage, HAI Group's management

thought more could be done for Members. To build a Company that stood apart, they needed something that distinguished HAI Group from other insurance providers. Management wanted to make the HAI Group experience pleasurable. They believed longevity would come from building solid relationships, making sure that premium levels were not subject to wild swings, and developing products and services that served Members' interests.

Housing Telecommunications, Inc. (HTI) was created to deliver risk management, training, and certification programs via satellite transmission. Through HTI, the Risk Control and Consulting Team could offer programs and services that were unique, tailor-made, and comprehensive. Through our effort to provide education that went way beyond what the marketplace provided, we could connect with Members. HTI's success indicated we had something different, something special. "Building HTI and the other companies resulted in solid relationships with housing agencies," Labrie says. "It felt like we were becoming a family... and we wanted that."

Multiple reasons exist why Member relationships grew so strong. The Board of Directors and Committee Members Meetings brought HAI Group Management and housing agency employees together to discuss the industry. These face-to-face meetings reinforced that we cared about their issues. "We became their problem-solvers and they trusted us," Labrie says. "And once you start trusting people, magic happens." Relationships were built on a daily basis. We offered a high level of personal service that did not exist elsewhere. Housing agencies had problems and we shined the light to help them solve those problems.

HAI Group's collection of companies made it difficult for competitors. Once we moved away from fronting and became an admitted

“Management wanted to make the HAI Group experience pleasurable. They believed longevity would come from building solid relationships.”



carrier, which was done by converting two captives into companies licensed in 49 jurisdictions, we became independent. As the housing climate changed and there was a shift toward affordable housing, Housing Enterprise Risk Services, Inc. (HERS) later Housing Enterprise Insurance Company, Inc. (HEIC) and Housing Specialty Insurance Company, Inc. (HSIC), were created to further meet the needs of public and affordable housing providers.

“With each new company, we moved the relationship forward,” Labrie says. “Members had faith in us and together we became a larger community; at the same time, elevating our Members and ourselves. This confidence allowed us to create additional initiatives. It was an expansion of our Mission and it created a whole new world for us.” HAI Group began offering Member benefits such as term life insurance, academic scholarships for residents, and cyber-liability insurance. Other initiatives were developed, including *HousingHub*®, *ReThink: Why Housing Matters*, advocacy efforts, and an accreditation institution. These programs were developed in cooperation with the Council of Large Public Housing Authorities (CLPHA), the National Association of Housing and Redevelopment Officials (NAHRO), and the Public Housing Authorities Directors Association (PHADA).

“We became a ‘can do’ company for the industry and exceeded their expectations,” Labrie says. “All of this

would not have been possible without our early successes as we now have the income from the insurance operations to execute these things.”

THE LIGHT STILL SHINES

During 2015, the light shined even brighter.

ReThink: Why Housing Matters continued changing the perception of public housing by releasing “Our Journey Home,” a full-length documentary which debuted in New York City in October. Future plans include taking the documentary on the road for viewings across the country.

The Public and Affordable Housing Research Corporation (PAHRC) released its annual *PAHRC Report* in June. This report focused on the added value housing assistance provides to low-income families beyond simple housing. To further the impact of the report, a supplement was created focusing on the demand for housing assistance and waiting lists.

HAI Group’s Board of Directors approved the Business Plan, Feasibility Study, formation, and capitalization for the Innovative Housing Insurance Company, Inc. (IHIC) and Housing Alliance Group, LLC (HAGL). IHIC was approved as a captive insurance company domiciled in

“HAI Group’s success is based on recognizing Member needs and developing solutions to meet them.”

Vermont, while HAGL was incorporated in Vermont as a Member association. The first program to be provided by HAGL will be the Housing Credit Enrichment Program (HCEP), which will provide financing options through Low Income Housing Tax Credits (LIHTC).

Housing Systems Solutions, Inc. (HSS) welcomed more customers to the *HousingHub*® family. HSS also opened its new customer support center, providing live support for its housing software product.

The Rental Assistance Demonstration (RAD) Collaborative was formed in a joint effort with CLPHA, the US Department of Housing and Urban Development (HUD), and the National Equity Fund to provide housing agencies with accurate, timely information on key RAD issues and create a network for peer-to-peer collaboration among agencies.

SHINING A LIGHT TOWARD THE FUTURE

HAI Group’s success is based on recognizing Member needs and developing solutions to meet them. It is fueled by the employees’ demonstrated passion for Member service and their desire to maintain strong relationships.

“The housing industry is going through changes right now,” Labrie says. “To continue our success, we must continue to be creative and innovative to meet the future needs of the Membership. We must continue to make an impact, long after each of us has moved from the Company. The Mission and Values are ingrained within the Company, beyond our four walls. And the good work will continue. Treat people well, have compassion for people inside and outside of the Company, and you will be successful.”

Asked about what he was most proud of during his leadership, Labrie says “My biggest accomplishment was doing good things for people – for our Members, employees, housing agencies, and especially the residents – through our compassion. We make the housing agencies better, which improves the lives of their residents. It’s all about making a difference. Maximizing profits has never been our goal. I firmly believe that if

you serve your customers with passion, commitment, and pride – the Company will produce results way beyond what’s expected.”

Labrie is confident about HAI Group’s future. “We must remain true to our Mission in ‘providing reliable insurance solutions and related services to the public and affordable housing community in a manner which exceeds expectations.’”



BOARD OF DIRECTORS AND COMMITTEE MEMBERS

The governance of HAI Group is a key element in providing Members with the highest quality products and services. Due to the devotion of our Board of Directors and Committee Members, we can uphold our customer-driven focus and attention to detail.



AUDIT

(Front row) Linnie Willis; J. Len Williams
(Back row) Edwin Lowndes; Douglas Dzema, Vice Chair; James DiPaolo, Chair



BOARD OF DIRECTORS

(Front row) Christine Hart, Vice Chair; Linnie Willis, Chair; J. Len Williams; L. Glen Redding
(Second row) Tony Love; Dan Labrie; Edwin Lowndes; Tyrone Garrett; Ed Hinojosa
(Third row) Joseph Shuldiner; James DiPaolo; John Foos
(Back row) Douglas Dzema, Gary Wasson
(Not in photo) Russell Young



CLAIMS

(Front row) Liane Ward; Cindy Mummert; Sharon Scudder; Patricia Duffy; Sophie George; Stephanie Cowart; Patricia Baines-Lake, *Vice Chair*; Shelette Veal

(Second row) Tony Love; Colleen O'Keefe; Audrey Davis; Blanca Macris; June Parker; Jim Eigenberger; Kathi Sulsky; Edwin Lowndes

(Back row) Dale Priester; Mark Gillett; Mark Abernathy; Douglas Dzema, *Chair*; Tyrone Garrett; Tony Baltimore

(Not in photo) Tracy Barlow; Barbara Berg; Castor Binion; Wayne Boyle; Shannell Hardwick; Steven Russell; Michael Santangelo; Linnie Willis



COMPENSATION

(Front row) J. Len Williams, *Vice Chair*; Linnie Willis, *Chair*; Christine Hart

(Back row) Edwin Lowndes; Douglas Dzema; James DiPaolo



CORPORATE OFFICERS

(Front row) Amy Galvin, Sarah Rodriguez

(Back row) Mark Wilson, Dan Labrie, Ed Malaspina, Ken House

(Not in photo) Bill Lewellyn



ERM

Dan Labrie; Christine Hart, *Chair*;
L. Glen Redding, *Vice Chair*; Tony Love
(Not in photo) Russell Young



FINANCE

(Front row) Edwin Lowndes; Lori Hoppe; Fernando Aniban; Christine Hart; J. Len Williams; Alejandra Villarreal; Faye Brown

(Second row) Joe Shuldiner; Jane Smith; Martha Dorsey; June Parker; Jeffery Patterson; Dale Jones; Richard Dowe; Ed Hinojosa, *Chair*

(Third row) David Paccone, *Vice Chair*; Duane Hopkins; Tony Love; Edward Mauk; Blake Farris; Alan Katz; David Brown; James DiPaolo; Gary Wasson

(Back row) Alan Feinstein; John Foos; Scott Bertrand

(Not in photo) James Borgstadt; Marlene Garza; Helen Kipplen; Randy Phillips; MaryAnn Russ; Margarita Shif; Linnie Willis; Maria Zissimos



GOVERNANCE

(Front row) J. Len Williams, *Chair*;
L. Glen Redding; Linnie Willis

(Back row) Christine Hart; Joseph Shuldiner;
Edwin Lowndes, *Vice Chair*

(Not in photo) Russell Young



GOVERNMENT AFFAIRS AND RESEARCH

(Front row) John Thaniel; Stephanie Cowart; David Paccone; Dan Labrie; Jay Cunningham; Karl Opheim

(Second row) Rufus (Bud) Myers; Joseph Shuldiner, *Chair*; Tyrone Garrett; Scott Bertrand

(Back row) John Foos; Gary Wasson

(Not in photo) Tracy Barlow; MaryAnn Russ, *Vice Chair*; Russell Young



HSS

(Front row) Joseph Shuldiner; Lori Hoppe; Tony Love

(Back row) James DiPaolo; Kevin Loso, *Vice Chair*; Ed Hinojosa; Edwin Lowndes, *Chair*



LEADERSHIP TEAM

(Front row) Sarah Rodriguez, Dan Labrie, Anthony Peccerillo

(Back row) Mark Wilson, Jerry Williams, Ed Malaspina, Dave Sagers

(Not in photo) Bill Lewellyn



LEARNING-INFORMATION TECHNOLOGIES

(Front row) Helen Kipplen; Donald Emerson; Pamela Kemp; Fernando Aniban; John Thaniel; Christine Hart; L. Glen Redding, *Chair*; Jay Cunningham; Dale Jones

(Second row) Lori Hoppe; Janis Holt; Keith Morrison; Larry Williams; Rick Whitworth; Dennis Nicholson; Owen Ahearn, *Vice Chair*

(Back row) Kevin Loso; Terrance Brady; Gary Wasson; Michael Hagemeyer; Matt Mills

(Not in photo) Sharon Carlson; Artesia Dupree; Herman Hill; Ed Hinojosa; Joseph Macaluso; Blanca Macris; Kenneth Martin



MARKETING, AGENCY, AND COMMUNICATIONS

(Front row) Donald Emerson; Liane Ward; L. Glen Redding; Sharon Scudder, *Vice Chair*; Patricia Duffy; Blanca Macris

(Second row) William Morlock; George Guy; Tony Love, *Chair*; Pamela Kemp; Cindy Mummert; Bonnie Latting; Rufus (Bud) Myers; Shannon Oury; Dawn Sanders-Garrett; Kathi Sulsky

(Third row) Mark Ouellet; Boyd Fetterolf; Douglas Dzema; Alan Katz; Sharon Tolbert; David Brown

(Back row) Mark Gillett; Kevin Loso; Michael Hagemeyer; Scott Bertrand; William J. Woods

(Not in photo) Douglas Guthrie; Guillermo Rodriguez; Linnie Willis



RISK CONTROL

(Front row) Karl Jones; Veronica Guevara; Earline Davis; Stephanie Lovett; Nina Parrett; Bernice Jones; Donna Conway; Bonnie Latting; Anthony Greene

(Second row) Aaron Cooper; William Morlock; Jeffrey Wade; George Guy; Boyd Fetterolf; Mark Ouellet; Rufus (Bud) Myers; Vince D. Pearson, *Vice Chair*; Dawn Sanders-Garret

(Back row) Orthneil Palmer; Gary Wasson, *Chair*; Kenneth Christie; Hurticene Hardaway; James DiPaolo; Rick Whitworth

(Not in photo) Melissa Pressley; Laurel Robinson; Guillermo Rodriguez



UNDERWRITING

(Front row) Stephanie Lovett; Alissa Italiano; Dale Priester; Annette Smith; L. Glen Redding; Anthony Goodson

(Second row) Veronica Guevara; Gary Evangelista; William J. Woods; Aaron Cooper; Edwin Lowndes; Tyrone Garrett, *Chair*; Shelette Veal, *Vice Chair*

(Back row) Duane Hopkins; Hurticene Hardaway; Modesto Candelario; John Foes; Matt Mills; James DiPaolo; Thomas Hickey

(Not in photo) Patricia Baines-Lake; Barbara Berg; Eric Brown; Douglas Guthrie; Janis Holt; Tony Love; Karl Opheim; Vince Pearson; Alisa Quick; Rita Ruiz; Steven Russell; Joe Shuldiner

FINANCIAL STATEMENTS

(As of and for the Years Ended December 31, 2015 and 2014)

The following financial information should be read in conjunction with the financial statements and related notes as presented in HAI Group's 2015 *Audited Financial Statements* supplement. This can be found on our website at www.housingcenter.com/AuditedFinancialStatements.

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December 31, 2015 and 2014	2015	2014
ASSETS		
Investments:		
Available for sale, at fair value	\$ 302,293,836	\$ 308,479,005
Investment in HIG	6,089,987	5,294,395
Investment in HSIC	7,722,735	7,826,541
Total investments	316,106,558	321,599,941
Cash and cash equivalents	9,886,290	11,813,011
Reinsurance recoverables on unpaid losses	1,972,272	6,711,158
Reinsurance recoverables on paid losses	473,811	45,845
Premiums receivable	20,836,821	15,703,748
Prepaid reinsurance premiums	5,279,103	5,302,018
Due from affiliates	1,422,504	2,682,748
Accrued investment income	1,246,467	1,668,933
Deferred policy acquisition costs	2,663,530	2,353,037
Deferred tax asset	2,192,227	2,509,365
Property and equipment, net	17,957,389	13,708,463
Other assets	3,885,013	3,764,525
Total assets	<u>\$ 383,921,985</u>	<u>\$ 387,862,792</u>
LIABILITIES AND EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 108,490,516	\$ 107,941,101
Unearned premiums	30,933,729	28,866,202
Reinsurance balances payable	2,256,244	1,879,388
Term loan	7,495,807	7,966,564
Accrued Policyholder dividends	3,970,000	5,359,339
Advance premiums	6,914,704	3,447,269
Due to affiliates	47,108	35,075
Accrued expenses and other liabilities	11,641,203	10,657,691
Payable for securities	-	493,312
Federal income taxes payable	13,523	-
Total liabilities	171,762,834	166,645,941
Equity:		
Members' contributions	10,921,290	10,837,948
Accumulated other comprehensive income	3,809,081	12,746,833
Retained earnings	183,897,120	184,047,486
Total equity before non-controlling interest	198,627,491	207,632,267
Non-controlling interest	13,531,660	13,584,584
Total equity	212,159,151	221,216,851
Total liabilities and equity	<u>\$ 383,921,985</u>	<u>\$ 387,862,792</u>

Housing Authority Risk Retention Group, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME



For the Years Ended December 31, 2015 and 2014	2015	2014
Revenues:		
Premiums earned	\$ 61,232,583	\$ 58,390,006
Ceded premiums earned	(10,675,801)	(12,103,815)
Net premiums earned	50,556,782	46,286,191
Investment gain	7,398,698	7,474,415
Unrealized loss on investments in affiliates	(3,340,485)	(5,621,227)
Net realized investment gains	5,431,632	3,390,730
Total revenues	60,046,627	51,530,109
Expenses:		
Losses and loss adjustment expenses	33,981,332	25,109,225
Salaries and other compensation	8,639,044	8,052,582
Contractual services and professional fees	1,009,266	1,995,388
General and administrative expenses	7,006,374	5,989,795
Policy acquisition costs	3,857,620	3,876,507
Total expenses	54,493,636	45,023,497
Policyholder dividends	4,216,719	5,922,125
Net income before federal income tax expense	1,336,272	584,487
Federal income tax expense	574,872	286,092
Net income	761,400	298,395
Less net income (loss) attributable to non-controlling interest	113,171	(705,357)
Net income attributable to the Company	648,229	1,003,752
Other comprehensive (loss) income:		
Unrealized holding (losses) gains on available for sale securities, net of tax expense (benefit) of (\$234,002) and \$227,133 in 2015 and 2014, respectively	(3,695,312)	7,611,686
Reclassification adjustments for realized gains included in net income, net of tax expense of \$10,212 and \$163,971 in 2015 and 2014, respectively	(5,408,536)	(3,226,760)
Other comprehensive (loss) income	(9,103,848)	4,384,926
Less other comprehensive (loss) income attributable to non-controlling interest	(166,096)	42,912
Other comprehensive (loss) income attributable to the Company	(8,937,752)	4,342,014
Comprehensive (loss) income attributable to the Company	\$ (8,829,523)	\$ 5,345,766

Housing Authority Risk Retention Group, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY



For the Years Ended December 31, 2015 and 2014	Members' Contribu- tions	Accumulated Other Comprehensive Income	Retained Earnings	Total Equity Before Non- controlling Interest	Non- controlling Interest	Total Equity
Balance as of January 1, 2014	\$ 10,622,783	\$ 8,404,819	\$ 183,752,312	\$ 202,779,914	\$ 12,497,028	\$ 215,276,942
Net income (loss)	-	-	1,003,752	1,003,752	(705,356)	298,396
Other comprehensive income	-	4,342,014	-	4,342,014	42,912	4,384,926
Contributed capital	-	-	-	-	1,750,000	1,750,000
Equity dividends	-	-	(496,013)	(496,013)	-	(496,013)
Members' contributions	2,600	-	-	2,600	-	2,600
Members' recapitalization dividends	212,565	-	(212,565)	-	-	-
Balance as of December 31, 2014	10,837,948	12,746,833	184,047,486	207,632,267	13,584,584	221,216,851
Net income	-	-	648,229	648,229	113,172	761,401
Other comprehensive loss	-	(8,937,752)	-	(8,937,752)	(166,096)	(9,103,848)
Contributed capital	-	-	-	-	-	-
Equity dividends	-	-	(724,042)	(724,042)	-	(724,042)
Members' contributions	8,798	-	-	8,798	-	8,798
Members' recapitalization dividends	74,553	-	(74,553)	-	-	-
Balance as of December 31, 2015	<u>\$ 10,921,290</u>	<u>\$ 3,809,081</u>	<u>\$ 183,897,120</u>	<u>\$ 198,627,491</u>	<u>\$ 13,531,660</u>	<u>\$ 212,159,151</u>

December 31, 2015 and 2014

2015

2014

	2015	2014
ASSETS		
Investments:		
Available-for-sale, at fair value	\$ 117,313,824	\$ 119,655,681
Investment in HEIC	13,531,660	13,584,409
Investment in HIG	6,089,987	5,294,395
Investment in HSIC	7,722,735	7,826,541
Total investments	144,658,206	146,361,026
Cash and cash equivalents	6,384,365	9,313,119
Premiums receivable	24,795,845	21,468,035
Reinsurance recoverables on unpaid losses	3,982,315	7,111,853
Reinsurance recoverables on paid losses	4,185,682	1,820,168
Deferred policy acquisition costs	1,861,386	1,915,606
Other assets	764,870	786,293
Due from affiliates	-	114,464
Prepaid reinsurance premiums	6,557,404	6,949,266
Total assets	<u>\$ 193,190,073</u>	<u>\$ 195,839,830</u>
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 26,533,880	32,707,706
Unearned premiums	24,074,625	23,826,406
Reinsurance payable	2,119,951	2,997,011
Accrued expenses and other liabilities	2,173,065	1,651,653
Accrued Policyholder dividends	955,000	505,139
Payable for securities	-	288,741
Due to affiliates	392,669	1,470,298
Advance premiums	11,707,463	8,187,907
Total liabilities	67,956,653	71,634,861
Members' equity:		
Members' contributions	10,032,267	9,980,270
Accumulated other comprehensive income	2,657,484	6,922,977
Unassigned surplus	112,543,669	107,301,722
Total Members' equity	125,233,420	124,204,969
Total liabilities and Members' equity	<u>\$ 193,190,073</u>	<u>\$ 195,839,830</u>

For the Years Ended December 31, 2015 and 2014	2015	2014
Revenues:		
Premiums earned	\$ 56,220,823	\$ 55,513,146
Ceded premiums earned	(15,560,670)	(18,440,377)
Net premiums earned	40,660,153	37,072,769
Investment income, net	2,889,516	3,072,345
Unrealized loss on investments in affiliates	(3,227,311)	(6,326,585)
Net realized investment gains	2,442,829	1,488,066
Total revenues	42,765,187	35,306,595
Expenses:		
Losses and loss adjustment expenses	20,116,027	23,123,013
Salaries and other compensation	5,285,082	4,151,936
General and administrative expenses	10,219,044	8,608,085
Contracted services and professional fees	1,258,460	908,602
Total expenses	36,878,613	36,791,636
Net income (loss) before Policyholder dividends	5,886,574	(1,485,041)
Policyholder dividends	(449,861)	-
Net income (loss)	5,436,713	(1,485,041)
Other comprehensive (loss) income:		
Unrealized holding (losses) gains	(1,822,664)	3,271,803
Reclassification for realized gains on sales included in net income (loss)	(2,442,829)	(1,488,066)
Other comprehensive (loss) income	(4,265,493)	1,783,737
Comprehensive income	\$ 1,171,220	\$ 298,696

Housing Authority Property Insurance, A Mutual Company
STATEMENTS OF CHANGES IN MEMBERS' EQUITY



For the Years Ended December 31, 2015 and 2014	Members' Contributions	Accumulated Other Compre- hensive Income	Unassigned Surplus	Total
Balance as of January, 1, 2014	\$ 9,866,847	\$ 5,139,240	\$ 109,011,019	\$ 124,017,106
Net loss	-	-	(1,485,041)	(1,485,041)
Other comprehensive income	-	1,783,737	-	1,783,737
Equity dividends	-	-	(99,665)	(99,665)
Members' distributions, net	(11,168)	-	-	(11,168)
Members' recapitalization dividends	124,591	-	(124,591)	-
Balance as of December 31, 2014	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	<u>\$ 10,032,267</u>	<u>\$ 2,657,484</u>	<u>\$ 112,543,669</u>	<u>\$ 125,233,420</u>

December 31, 2015 and 2014

2015

2014

ASSETS

Cash and cash equivalents	\$ 5,324,284	\$ 3,265,625
Investments available for sale, at fair value	56,564,660	56,407,155
Premiums receivable	12,073,709	8,738,326
Reinsurance recoverable on unpaid losses	1,156,314	2,108,085
Reinsurance recoverable on paid losses	200,547	36,369
Prepaid reinsurance	4,468,250	4,472,897
Deferred policy acquisition costs	2,251,891	1,916,991
Deferred tax asset	2,189,222	2,509,365
Accrued interest and other assets	477,562	485,371
Total assets	\$ 84,706,439	\$ 79,940,184

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Unpaid losses and loss adjustment expenses	\$ 25,464,291	\$ 24,517,890
Unearned premiums	16,618,388	14,700,071
Reinsurance payable	1,128,698	959,793
Payable for securities	-	186,479
Due to affiliates	303,634	541,207
Accounts payable and other liabilities	924,368	903,432
Advance premiums	3,250,313	977,374
Federal income taxes payable	13,523	-
Total liabilities	47,703,215	42,786,246

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	544,142	1,018,205
Retained deficit	(12,540,918)	(12,864,267)
Total shareholders' equity	37,003,224	37,153,938
Total liabilities and shareholders' equity	\$ 84,706,439	\$ 79,940,184

For the Years Ended December 31, 2015 and 2014	2015	2014
Revenues:		
Premium earned	\$ 28,296,258	\$ 26,520,769
Ceded premiums earned	(8,512,067)	(9,268,532)
Net premiums earned	\$ 19,784,191	\$ 17,252,237
Investment income, net	1,280,234	1,270,599
Realized gains, net	30,034	482,268
Total revenues	21,094,459	19,005,104
Losses and expenses:		
Losses and loss adjustment expenses	12,012,249	12,772,805
Salaries and benefits	2,781,150	2,618,716
General and administrative expenses	2,517,999	2,432,346
Agency commissions	2,881,835	2,910,450
Total losses and expenses	20,193,233	20,734,317
Net income (loss) before federal income tax expense	901,226	(1,729,213)
Federal income tax expense	577,877	286,092
Net income (loss)	323,349	(2,015,305)
Other comprehensive (loss) income, net of tax:		
Unrealized holding (losses) gains on available for sale securities, net of tax expense (benefit) of (\$234,002) in 2015 and \$227,133 in 2014	(454,241)	440,904
Reclassification adjustments for realized gains included in net income (loss), net of tax expense of \$10,212 in 2015 and \$163,971 in 2014	(19,822)	(318,297)
Other comprehensive (loss) income	(474,063)	112,607
Comprehensive loss	\$ (150,714)	\$ (1,892,698)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2015 and 2014	Common Stock		Contributed Surplus	Accumulated Other Comprehensive Income	Retained Deficit	Total Shareholders' Equity
	Shares	Amount				
Balance as of January 1, 2014	2,000	\$ 20,000,000	\$ 24,000,000	\$ 895,597	\$ (10,848,962)	\$ 34,046,635
Contributed surplus	-	-	5,000,000	-	-	5,000,000
Other comprehensive income	-	-	-	122,608	-	122,608
Net loss	-	-	-	-	(2,015,305)	(2,015,305)
Balance as of December 31, 2014	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

December 31, 2015 and 2014	2015	2014
ASSETS		
Cash and cash equivalents	\$ 981,768	\$ 801,044
Investments available-for-sale, at fair value	14,919,701	14,973,115
Premiums receivables	306,304	-
Prepaid reinsurance	186,638	-
Deferred policy acquisition costs	51,101	-
Accrued interest and other assets	86,085	66,525
Total assets	<u>\$ 16,531,597</u>	<u>\$ 15,840,684</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 345,720	\$ -
Unearned premiums	510,273	-
Reinsurance payable	112,736	-
Due to affiliates	69,788	187,602
Accounts payable and other liabilities	47,608	-
Total liabilities	1,086,125	187,602
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) income	(106,240)	29,218
Retained deficit	(448,288)	(376,136)
Total shareholders' equity	15,445,472	15,653,082
Total liabilities and shareholders' equity	<u>\$ 16,531,597</u>	<u>\$ 15,840,684</u>

For the Years Ended December 31, 2015 and 2014	2015	2014
Revenues:		
Premiums earned	\$ 1,192,063	\$ -
Ceded premiums earned	(421,965)	-
Net premiums earned	770,098	-
Investment income, net	\$ 287,399	\$ 136,622
Realized gain (loss), net	83,264	(45,595)
Total revenues	1,140,761	91,027
Losses and expenses:		
Losses and loss adjustment expenses	408,151	-
Salaries and benefits	367,552	321,082
General and administrative expenses	303,023	151,575
Agency commissions	119,135	-
Total losses and expenses	1,197,861	472,657
Net loss before federal income tax expense (benefit)	(57,100)	(381,630)
Federal income tax expense (benefit)	15,052	(11,802)
Net loss	(72,152)	(369,828)
Other comprehensive (loss) income, net of tax:		
Unrealized holding losses on available-for-sale securities, net of tax expense (benefit) of \$13,259 and (\$451) in 2015 and 2014, respectively	(80,504)	(875)
Reclassification adjustments for realized (gains) losses included in net loss, net of tax expense (benefit) of \$28,310 and (\$15,502) in 2015 and 2014 respectively	(54,954)	30,093
Other comprehensive (loss) income	(135,458)	29,218
Comprehensive loss	<u>\$ (207,610)</u>	<u>\$ (340,610)</u>

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



For the Years Ended December 31, 2015 and 2014	Common Stock		Contributed Surplus	Accumulated Other Comprehen- sive (Loss) Income	Retained Deficit	Total Share holders' Equity
	Shares	Amount				
Balance as of January 1, 2014	200	\$ -	\$ 6,000,000	\$ -	\$ (6,308)	\$ 5,993,692
Reclassification of common stock	-	2,000,000	(2,000,000)	-	-	-
Contributed surplus	-	-	10,000,000	-	-	10,000,000
Other comprehensive income	-	-	-	29,218	-	29,218
Net loss	-	-	-	-	(369,828)	(369,828)
Balance as of December 31, 2014	200	\$ 2,000,000	\$ 14,000,000	\$ 29,218	\$ (376,136)	\$ 15,653,082
Other comprehensive income	-	-	-	(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

Year Ended December 31, 2015

2015

ASSETS	
Cash	\$ 1,039,483
Refundable advance	736,854
Due from affiliates	154,118
Prepaid expenses	50,147
Total assets	\$ 1,980,602
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	\$ 107,368
Due to affiliates	455,631
Deferred grant revenue	953,317
Total liabilities	1,516,316
Unrestricted net assets	464,286
Total liabilities and net assets	\$ 1,980,602

Year Ended December 31, 2015	2015
Unrestricted revenues:	
Membership fees	\$ 4,750,000
Grant revenue	2,390,479
Total unrestricted revenues	7,140,479
Expenses:	
Salaries and benefits	2,120,158
General and administrative expenses	3,325,758
Grants and donations	2,185,016
Event support	7,675
Member benefits	280,597
Total expenses	7,919,204
Change in unrestricted net assets	(778,725)
Unrestricted net assets, January 1, 2015	730,814
Restatement adjustment	512,197
Unrestricted net assets, January 1, 2015 (as restated)	1,243,011
Unrestricted net assets, end of year	<u>\$ 464,286</u>

December 31, 2015 and 2014	2015	2014
ASSETS		
Cash	\$ 1,189,525	\$ 852,213
Accounts receivable	27,175	31,268
Prepaid expenses	154,216	154,292
Due from affiliates	55,696	45,600
Total assets	\$ 1,426,612	\$ 1,083,373
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 17,060	\$ 11,457
Due to affiliates	112,729	134,626
Deferred income	49,500	64,300
Unearned subscription fees	670,292	349,255
Total liabilities	849,581	559,638
Unrestricted net assets	577,031	523,735
Total liabilities and net assets	\$ 1,426,612	\$ 1,083,373

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2015 and 2014	2015	2014
Unrestricted revenues:		
Subscription fees	\$ 788,613	\$ 730,387
Risk management service fees	125,000	125,000
Sponsorship fees	200,000	400,000
Pay per view fees	352,032	202,339
Contributions and other income	35,000	92,750
Total unrestricted revenues	1,500,645	1,550,476
Expenses:		
Salaries and benefits	624,269	688,548
General and administrative expenses	548,908	453,578
Studio rental	-	191,667
Program costs	274,172	151,298
Total expenses	1,447,349	1,485,091
Change in unrestricted net assets	53,296	65,385
Unrestricted net assets, beginning of year	523,725	458,350
Unrestricted net assets, end of year	\$ 577,031	\$ 523,735

Housing Investment Group, Inc. and Subsidiaries
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						
Current 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
Total current assets	(38,757)	38,662,951	2,516,113	694,374	(14,600)	41,820,081
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						
Current 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 current 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 author- ized, 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

Housing Investment Group, Inc. and Subsidiaries
CONSOLIDATING BALANCE SHEET



December 31, 2014	Housing Investment Group, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Elimination Entries	Consolidated
ASSETS					
Current assets:					
Cash	\$ 1,032,593	\$ 21,223,651	\$ 304,256	\$ -	\$ 22,560,500
Agency and commissions accounts receivable	-	11,719,379	-	-	11,719,379
Due from related parties	29,665	306,248	-	-	335,913
Income taxes (payable) receivable	(424,930)	(1,404,597)	2,026,895	-	197,368
Other assets	13,022	86,573	61,920	-	161,515
Total current assets	650,350	31,931,254	2,393,071	-	34,974,675
Software and Equipment (net of accumulated amortization and depreciation of \$1,186,247 in 2014)	1,172	-	3,666,991	-	3,668,163
Investment in HSS	4,623,965	-	-	(4,623,965)	-
Investment in HIS	5,345,868	-	-	(5,345,868)	-
Total assets	\$ 10,621,355	\$ 31,931,254	\$ 6,060,062	(9,969,833)	38,642,838
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Commission payable and accounts current	\$ -	\$ 23,118,686	\$ -	\$ -	\$ 23,118,686
Deferred commissions	-	2,689,825	-	-	2,689,825
Accounts payable and accrued expenses	-	150,285	1,189,165	-	1,339,450
Due to related parties	32,562	626,590	246,932	-	906,084
Total current liabilities	32,562	26,585,386	1,436,097	-	28,054,045
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, 182,500 shares issued and outstanding	23,200,000	-	-	-	23,200,000
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, 25,000 shares authorized, issued and outstanding	-	-	25,000,000	(25,000,000)	-
Additional paid-in capital	269,664	-	-	212,570	482,234
Retained (deficit) earnings	(12,890,871)	5,320,868	(20,376,035)	14,842,597	(13,103,441)
Total stockholders' equity	10,588,793	5,345,868	4,623,965	(9,969,833)	10,588,793
Total liabilities and stockholders' equity	\$ 10,621,355	31,931,254	6,060,062	(9,969,833)	\$ 38,642,838

Housing Investment Group, Inc. and Subsidiaries
CONSOLIDATING STATEMENT OF OPERATIONS



For the Year Ended December 31, 2015	Housing Investment Group, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Housing Alliance Group, LLC	Elimination Entries	Consolidated
Net 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
Costs and 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 costs and 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)

Housing Investment Group, Inc. and Subsidiaries
CONSOLIDATING STATEMENT OF OPERATIONS



For the Year Ended December 31, 2014	Housing Investment Group, Inc.	Satellite Telecommu- nications, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Elimination Entries	Consolidated
Net revenues:						
Commission income	\$ -	\$ -	\$ 4,478,177	\$ -	\$ -	\$ 4,478,177
Insurance management services	-	-	237,149	-	-	237,149
Studio rental income	-	191,667	-	-	-	191,667
Product revenue	-	-	-	8,032	-	8,032
Other income	208,250	-	-	1,761	(208,250)	1,761
Loss on investment in subsidiaries	(10,830,680)	-	-	-	10,830,680	-
Total revenues	(10,622,430)	191,667	4,715,326	9,793	10,622,430	4,916,786
Costs and expenses:						
Salaries and benefits	76,864	99,388	2,875,182	877,040	-	3,928,474
General and administrative	177,546	186,256	1,424,419	677,739	(208,250)	2,257,710
Software research and development	-	-	-	6,043,980	-	6,043,980
Cost of product revenue	-	-	-	1,115,745	-	1,115,745
Sales expense	-	-	-	76,898	-	76,898
Depreciation	123	515	-	766,189	-	766,827
Total costs and expenses	254,533	286,159	4,299,601	9,557,591	(208,250)	14,189,634
Income (loss) before income taxes	(10,876,963)	(94,492)	415,725	(9,547,798)	10,830,680	(9,272,848)
Income tax (benefit) expense	(1,486)	-	379,183	1,224,932	-	1,602,629
Net (loss) income	\$ (10,875,477)	\$ (94,492)	\$ 36,542	\$ (10,772,730)	\$ 10,830,680	\$ (10,875,477)

December 31, 2015 and 2014	2015	2014
ASSETS		
Cash	\$ 236,541	\$ 109,144
Grant receivable	-	300,000
Due from affiliate	-	27,130
Prepaid expenses	7,960	6,619
Total assets	\$ 244,501	\$ 442,893
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 33,652	\$ 9,282
Due to affiliate	77,009	38,267
Deferred grant revenue	133,840	395,344
Total liabilities	244,501	442,893
Unrestricted net assets	-	-
Total liabilities and net assets	\$ 244,501	\$ 442,893

Public and Affordable Housing Research Corporation
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS



For the Years Ended December 31, 2015 and 2014	2015	2014
Unrestricted revenue:		
Grant revenue	\$ 861,504	\$ 645,218
Contribution income	9,014	-
Total revenue	870,518	645,218
Expenses:		
Salaries and benefits	\$ 352,971	260,798
General and administrative expenses	517,547	384,420
Total expenses	870,518	645,218
Change in unrestricted net assets	-	-
Unrestricted net assets, beginning of year	-	-
Unrestricted net assets, end of year	\$ -	\$ -

December 31, 2015

2015

ASSETS

Cash:	\$ 998,125
Deferred tax asset	3,005
Total assets	<u>\$ 1,001,130</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Due to affiliates	\$ 6,962
Total liabilities	6,962

Shareholders' equity

Common stock, \$10,000 stated value, 10,000 shares authorized and 50 shares issued and outstanding (Note 1)	500,000
Contributed surplus	500,000
Retained deficit	(5,832)
Total shareholders' equity	994,168
Total liabilities and shareholders' equity	<u>\$ 1,001,130</u>

For the Period from July 21, 2015 (commencement of operations)
through December 31, 2015

2015

EXPENSES	
Salaries and benefits	\$ 7,587
General and administrative expenses	1,250
Total expenses	<u>\$ 8,837</u>
NET LOSS BEFORE FEDERAL INCOME TAX BENEFIT	(8,837)
Federal tax benefit:	(3,005)
NET LOSS	<u>\$ (5,832)</u>

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY



For the Period from July 21, 2015 (commencement of operations) through 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



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