

COMMUNITY HOUSING PARTNERS VI L.P.

An Illinois Limited Partnership

Financial Statements

December 31, 2015 and 2014

(With Auditor's Reports)

COMMUNITY HOUSING PARTNERS VI L.P.

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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Independent Auditor's Report

To the Partners
Community Housing Partners VI L.P.
An Illinois Limited Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of Community Housing Partners VI L.P. (an Illinois limited partnership), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, partners' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Housing Partners VI L.P. as of December 31, 2015 and 2014, and the results of its operations, changes in partners' equity, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report – Continued

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information in Schedules I, II, III and IV on pages 15 through 17 is presented for purposes of additional analysis, and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016 on our consideration of Community Housing Partners VI L.P.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Housing Partners VI L.P.'s internal control over financial reporting and compliance.

Wieland & Company, Inc.

Batavia, Illinois
March 11, 2016

COMMUNITY HOUSING PARTNERS VI L.P.

BALANCE SHEETS

DECEMBER 31, 2015 and 2014

	<u>ASSETS</u>	
	<u>2015</u>	<u>2014</u>
<u>INVESTMENT IN REAL ESTATE:</u>		
Land and Improvements	\$ 1,388,719	\$ 1,388,719
Buildings and Improvements	8,158,109	8,158,109
Furniture and Equipment	93,517	93,517
Less: Accumulated Depreciation	(1,960,861)	(1,749,053)
<u>NET INVESTMENT IN REAL ESTATE</u>	<u>7,679,484</u>	<u>7,891,292</u>

OTHER ASSETS:

Cash	18,130	249,720
Tenant Accounts Receivable	3,714	5,435
Replacement Reserve	234,944	202,280
Operating Reserve	101,554	101,381
Debt Service Reserve	63,171	63,108
Real Estate Tax Escrow	13,334	12,412
Property Insurance Escrow	20,676	1,635
Mortgage Insurance Escrow	2,386	2,411
Prepaid Expenses	9,335	19,613
Capitalized Costs (Net)	91,343	94,250
<u>TOTAL OTHER ASSETS</u>	<u>558,587</u>	<u>752,245</u>

TOTAL ASSETS \$ 8,238,071 \$ 8,643,537

LIABILITIES AND PARTNERS' EQUITY

LIABILITIES:

First Mortgage Note Payable	\$ 1,061,181	\$ 1,072,213
Second Mortgage Note Payable	2,757,716	2,757,716
Third Mortgage Note Payable	578,900	578,900
Accounts Payable, Operations	21,813	18,877
Prepaid Rents and Deposits	6,339	4,370
Accrued Interest Payable, First Mortgage	5,306	5,361
Accrued Interest Payable, Second Mortgage	238,327	210,750
Accrued Real Estate Tax Expense	30,390	29,790
Accrued Payroll	2,923	1,744
Due to Administrative Limited Partner	-	2,947
Due to Investor Limited Partner	59,571	4,231
Due to General Partner	5,000	89,418
<u>TOTAL LIABILITIES</u>	<u>4,767,466</u>	<u>4,776,317</u>

PARTNERS' EQUITY:

Partners' Capital	3,495,605	3,892,220
Syndication Costs	(25,000)	(25,000)
<u>TOTAL PARTNERS' EQUITY</u>	<u>3,470,605</u>	<u>3,867,220</u>

TOTAL LIABILITIES AND PARTNERS' EQUITY \$ 8,238,071 \$ 8,643,537

See Accompanying Notes to Financial Statements.

COMMUNITY HOUSING PARTNERS VI L.P.

STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>INCOME</u>		
Gross Potential Tenant Rent	\$ 335,071	\$ 339,811
Gross Potential Subsidy Rent	175,871	170,983
Less: Rental Concessions	(8,400)	(4,275)
Less: Vacancy Loss	(4,040)	(2,718)
<u>TOTAL RENTAL INCOME</u>	<u>498,502</u>	<u>503,801</u>
Laundry and Vending Income	2,054	1,799
Miscellaneous Tenant Charges	395	540
Interest Income	340	910
<u>TOTAL INCOME</u>	<u>501,291</u>	<u>507,050</u>
<u>OPERATING EXPENSES</u>		
Administrative	118,642	107,601
Utilities	88,000	79,752
Operating and Maintenance	123,446	134,087
Taxes and Insurance	75,389	73,392
<u>TOTAL OPERATING EXPENSES</u>	<u>405,477</u>	<u>394,832</u>
<u>INCOME BEFORE PARTNERSHIP AND FINANCIAL EXPENSES</u>	<u>95,814</u>	<u>112,218</u>
<u>PARTNERSHIP AND FINANCIAL EXPENSES</u>		
Partnership Management Fee	5,911	90,312
Mortgage Insurance and Service Charge	4,796	4,845
Interest - First Mortgage Note	63,978	64,622
Interest - Second Mortgage Note	27,577	27,577
Miscellaneous Financial	112	-
<u>TOTAL PARTNERSHIP AND FINANCIAL EXPENSES</u>	<u>102,374</u>	<u>187,356</u>
<u>LOSS BEFORE DEPRECIATION AND AMORTIZATION</u>	<u>(6,560)</u>	<u>(75,138)</u>
<u>DEPRECIATION</u>	211,808	214,197
<u>AMORTIZATION</u>	2,907	2,907
<u>NET LOSS \$</u>	<u>(221,275) \$</u>	<u>(292,242)</u>

See Accompanying Notes to Financial Statements

COMMUNITY HOUSING PARTNERS VI L.P.

STATEMENTS OF PARTNERS' EQUITY

YEARS ENDED DECEMBER 31, 2015 AND 2014

	Investor Limited Partner	Administrative Limited Partner	General Partner	Syndication Costs	Total
BALANCE, DECEMBER 31, 2013	\$ 4,165,233	\$ (84)	\$ 19,313	\$ (25,000)	\$ 4,159,462
NET LOSS	(292,184)	(29)	(29)	-	(292,242)
BALANCE, DECEMBER 31, 2014	3,873,049	(113)	19,284	(25,000)	3,867,220
DISTRIBUTION PAID	(115,769)	-	-	-	(115,769)
DISTRIBUTION ACCRUED	(59,571)	-	-	-	(59,571)
NET LOSS	(221,231)	(22)	(22)	-	(221,275)
BALANCE, DECEMBER 31, 2015	\$ 3,476,478	\$ (135)	\$ 19,262	\$ (25,000)	\$ 3,470,605

See Accompanying Notes to Financial Statements.

COMMUNITY HOUSING PARTNERS VI L.P.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES:</u>		
Net Loss	\$ (221,275)	\$ (292,242)
Adjustments to Reconcile Net Loss to Net Cash Provided By Operating Activities:		
Depreciation	211,808	214,197
Amortization	2,907	2,907
Decrease (Increase) in Operating Assets:		
Accounts Receivable	1,721	(4,505)
Prepaid Expenses	10,278	(644)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable - Trade	2,936	(7,101)
Prepaid Rents	1,969	891
Accrued Interest Payable	27,522	27,525
Accrued Real Estate Tax Expense	600	400
Accrued Payroll	1,179	(160)
Accrued Partnership Management Fees	(91,596)	45,886
	<u>(51,951)</u>	<u>(12,846)</u>
	<u>NET CASH USED BY OPERATING ACTIVITIES</u>	<u>(12,846)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Payments for Furniture and Equipment	-	(3,002)
Withdrawals from (Deposits to):		
Replacement Reserve	(32,664)	(32,661)
Operating Reserve	(173)	259,254
Debt Service Reserve	(63)	(63)
Real Estate Tax Escrow	(922)	4,524
Property Insurance Escrow	(19,041)	8,869
Mortgage Insurance Escrow	25	23
	<u>(52,838)</u>	<u>236,944</u>
	<u>NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES</u>	<u>236,944</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Limited Partner Distribution	(115,769)	-
Payments of First Mortgage Note Principal	(11,032)	(10,391)
	<u>(126,801)</u>	<u>(10,391)</u>
	<u>NET CASH USED BY FINANCING ACTIVITIES</u>	<u>(10,391)</u>
	<u>NET INCREASE (DECREASE) IN CASH</u>	<u>213,707</u>
<u>CASH AT BEGINNING OF YEAR</u>	<u>249,720</u>	<u>36,013</u>
	<u>CASH AT END OF YEAR \$</u>	<u>18,130 \$</u>
		<u>249,720</u>
<u>Supplemental Disclosure of Cash Flow Information—</u>		
Cash Paid for Interest	\$ 64,033	\$ 64,674

See Accompanying Notes to Financial Statements

COMMUNITY HOUSING PARTNERS VI L.P.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 - ORGANIZATION

Community Housing Partners VI, L.P. is an Illinois limited partnership (the Partnership) originally formed on October 26, 1998. On November 29, 2005, it acquired approximately .8 of an acre of land at 2928 S. Archer Avenue in Chicago, Illinois for the purpose of constructing a 55-unit multifamily apartment building (the Project) for the benefit of low-income seniors. The Project is operating under the name of Archer Avenue Senior Residences. The Project has received a carryover allocation from the City of Chicago of low-income housing tax credits under Section 42 of the Internal Revenue Code.

Upon acquisition of the Project, Alliant Tax Credit Fund XXVI, Ltd. (the Investor Limited Partner) acquired a 99.98% limited partnership interest in the Partnership and Alliant Tax Credit XXVI, LLC, (the Administrative Limited Partner) acquired a .01% partnership interest. Chicago Community Development Corporation (the General Partner) retained a .01% interest and serves as general partner and Project developer. Capital contribution subscriptions total \$6,015,638 (See Note 4).

In addition to equity contributions, construction of the project was financed through a first mortgage note payable to GMAC in the amount of \$1,136,955. The mortgage is insured by the U.S. Department of Housing and Urban Development (HUD) under Section 221(d)(4) of the National Housing Act, as amended. Second mortgage financing of \$2,757,716 was provided by the City of Chicago with funding received from HUD under its HOME Investment Partnerships Program (HOME Program) pursuant to the National Affordable Housing Act. Third mortgage financing in the amount of \$578,900 was provided by the Chicago Low-Income Housing Trust Fund (the Trust) with HOME Program funding received by the Trust for use in its Affordable Rents for Chicago Program (the ARC Program).

The Project is subject to regulatory and use agreements with HUD, the City of Chicago and the Chicago Low-Income Housing Trust Fund financing programs that regulate the operations of the Project.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Partnership's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

CAPITALIZATION AND DEPRECIATION

Land, building and improvements are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

COMMUNITY HOUSING PARTNERS VII, L.P.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

December 31, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

CAPITALIZATION AND DEPRECIATION - (Continued)

Depreciation is provided for using the straight-line method in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The estimated service life of the assets for depreciation purposes may be different than their actual economic useful lives.

	<u>Estimated Life</u>
Land improvements	15
Building and Improvements	40
Furniture and fixtures	5-7

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized through December 31, 2015.

RENTAL INCOME AND PREPAID RENTS

Rental income is recognized for apartment rentals as it accrues. Advance receipts of rental income are deferred or classified as liabilities until earned. All leases between the Partnership and tenants of the property are operating leases. The Partnership utilizes the allowance method to recognize estimated uncollectible tenant receivables.

AMORTIZATION

Mortgage costs are amortized over the term of the mortgage loan using the straight-line method which approximates the effective yield method.

INCOME TAXES

The Partnership is not a taxpaying entity; thus no provision or benefit for income taxes has been included in these financial statements. All taxable income or loss passes through to, and is reportable by the partners on their respective income tax returns.

ADVERTISING COSTS

Advertising costs are charged to operations as incurred.

COMMUNITY HOUSING PARTNERS VI L.P.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

December 31, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RISKS AND UNCERTAINTIES

The Partnership is subject to various risks and uncertainties in the ordinary course of business that could have adverse impacts on its operating results and financial condition. Future operations could be affected by changes in the economy or other conditions in the geographical area where the property is located or by changes in federal low-income housing subsidies or the demand for such housing.

MANAGEMENT REVIEW

Management has evaluated subsequent events to March 11, 2016, the date on which the financial statements were available to be issued.

NOTE 3 - CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Partnership considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Partnership maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts. The Partnership believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4 - PARTNERS' CAPITAL CONTRIBUTIONS

The Partnership has one General Partner, Chicago Community Development Corporation, which has a .01% interest, one Administrative Limited Partner, Alliant Tax Credit XXVI, LLC, which has a .01% interest, and one Limited Partner, Alliant Tax Credit Fund XXVI, Ltd., which has a 99.98% interest. The Investor Limited Partner's capital subscriptions total \$6,015,438, of which \$5,519,412 was paid by December 31, 2007 and \$496,026 was paid in 2008. The General Partner and Administrative Limited Partner each made capital contributions totaling \$100 in accordance with the Partnership Agreement.

During the year ended December 31, 2013 the Investor Limited Partner made a claim to reduce its required equity contribution under provisions of the Partnership Agreement. The General Partner settled the claim through a direct cash payment from its own account of \$19,397. The amount has been recorded as a contribution by the General Partner and a distribution to the Investor Limited Partner.

COMMUNITY HOUSING PARTNERS VLLP.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

December 31, 2015 and 2014

NOTE 5 - MORTGAGES PAYABLE

MORTGAGES PAYABLE

	<u>2015</u>	<u>2014</u>
	\$ 1,061,181	\$ 1,072,213

The first mortgage note which was originated on November 29, 2005, is held by Capmark Finance in the original amount of \$1,136,900. The mortgage is insured by HUD under Section 221(d)(4) of the National Housing Act, as amended. Interest only payments were due until final endorsement by HUD. The final note bears interest at 6.0% per annum. Monthly installments of principal and interest are based on a 40 year amortization of the original note balance and are payable by the partnership in the amount of \$6,255 each month beginning July 1, 2007 and continuing through June 1, 2047. Collateralized by investment in real estate. Accrued interest and interest expense related to the loan were \$5,306 and \$63,978, respectively, as of and for the year ended December 31, 2015, and \$5,361 and \$64,622, respectively, as of and for the year ended December 31, 2014.

The second mortgage note which was originated on November 29, 2005, is held by City of Chicago under its HOME Investment Partnerships Program in the original amount of \$2,757,716 and is subordinated to the first mortgage. The note bears interest at 1.0% per annum on principal only. The total balance of principal and interest is due on November 1, 2047. Accrued interest and interest expense related to the loan were \$238,327 and \$27,577, respectively, as of and for the year ended December 31, 2015, and \$210,750 and \$27,577, respectively, as of and for the year ended December 31, 2014.

	2,757,716	2,757,716
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The third mortgage note which was originated on November 29, 2005, is held by the Chicago Low-Income Housing Trust Fund under its ARC Program in the original amount of \$578,900 and is subordinated to the first and second mortgages. The note bears no interest and the total balance of principal is due on November 1, 2047.

	<u>578,900</u>	<u>578,900</u>
TOTAL	<u>\$ 4,397,797</u>	<u>\$ 4,408,829</u>

COMMUNITY HOUSING PARTNERS VLLP.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

December 31, 2015 and 2014

NOTE 5 - MORTGAGES PAYABLE- (Continued)

Interest is not imputed under the second and third mortgages. This practice is in accordance with management's experience with the industry as the stated terms of the programs are generally available to other entities in similar circumstances.

The following is an analysis of accrued interest payable for the year ended December 31, 2015:

	<u>Beginning Balance</u>	<u>Interest Expense</u>	<u>Interest Paid</u>	<u>Ending Balance</u>
First Mortgage	\$ 5,361	\$ 63,978	\$ 64,033	\$ 5,306
Second Mortgage	<u>210,750</u>	<u>27,577</u>	<u>-</u>	<u>238,327</u>
	<u>\$ 216,111</u>	<u>\$ 91,555</u>	<u>\$ 64,033</u>	<u>\$ 243,633</u>

Future annual maturities of the bonds and required payments on the related first mortgage note are as follows at December 31, 2015:

2016	11,712
2017	12,435
2018	13,202
2019	14,016
2020	14,880
Thereafter	<u>994,936</u>
	<u>\$ 1,061,181</u>

NOTE 6 - TRANSACTION WITH AFFILIATES AND RELATED PARTIES

Development Fee

Pursuant to the development management agreement dated November 29, 2005, the General Partner was paid \$884,105 for providing certain development services and guarantees for the completion of the development of the Project. The total development fee was capitalized as a depreciable cost of rental property.

Asset Management Fee

The Administrative Limited Partner was paid an initial asset management fee equal to \$5,000 per annum for its services in reviewing the informational reports, financial statements, and tax returns of the Partnership. The fee is increased annually by the CPI adjustment, as defined, if any, and is payable in equal increments on each April 1st and October 1st. The fee is payable to the extent of available cash flow and unpaid fees accrue without interest. Asset management fees incurred by the Partnership totaled \$5,911 and \$5,893 for the years ended December 31, 2015 and 2014, respectively. Fees paid by the Partnership totaled \$8,857 and \$6,349 during the years ended December 31, 2015 and 2014, respectively. There were no unpaid fees at December 31, 2015. Unpaid fees totaled \$2,947 at December 31, 2014.

COMMUNITY HOUSING PARTNERS VI L.P.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

December 31, 2015 and 2014

Supervisory and Incentive Management Fee

The General Partner is entitled to a supervisory fee and an incentive management fee, both of which are equal to 45% of available cash flow, as defined in the Partnership Agreement. According to terms of the agreement, the total of the supervisory fee and the incentive management fee shall not exceed 12% of cumulative effective gross income as defined. In addition, the incentive management fee shall not exceed 10% of the annual gross revenues of the complex. There were no fees incurred during the year ended December 31, 2015. During the year ended December 31, 2014, fees incurred to the General Partner under these provisions totaled \$84,419. Fees paid by the Partnership totaled \$84,419 and \$38,077 during the years ended December 31, 2015 and 2014, respectively. There were no unpaid fees during the year ended December 31, 2015. Unpaid fees totaled \$84,419 at December 31, 2014.

Limited Partner Fees and Distribution

During the year ended December 31, 2015, a cash payment of \$120,000 was made to the Investor Limited Partner of which \$4,231 was applied to fees accrued at December 31, 2014, and \$115,769 was recorded as a distribution in the statement of partners' equity. In addition, a liability for \$59,571 was recorded to the Investor Limited Partner for undistributed cash flow from the prior year.

General Partner Obligations

The Partnership Agreement provides for various obligations of the General Partners, including their obligation to provide funds for any Development and Operating deficits, as defined. Development deficits, of which none existed at December 31, 2015 and 2014, will not be repaid and will be converted to General Partner's capital pursuant to the Partnership Agreement. Operating deficit loans shall be made by the General Partner for three years from the rental achievement date, as defined. However, the total guarantees by the General Partner will not exceed \$884,105. General Partner loans are interest free and are repayable out of available cash flow, as defined. As of December 31, 2015 and 2014 the General Partner was owed \$5,000 in cash advances.

Amounts due to the General Partner at December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Management Fees	\$ -	\$ 84,419
Advances to the Partnership	<u>5,000</u>	<u>5,000</u>
TOTAL	<u>\$ 5,000</u>	<u>\$ 89,419</u>

NOTE 7 - PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

All profits and losses are allocated .01% to the General Partner, .01% to the Administrative Limited Partner, and 99.98% to the Limited Partner. In accordance with the Partnership Agreement, the Partnership shall make cash distributions to the Partners in the following order of priority:

COMMUNITY HOUSING PARTNERS VI L.P.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

December 31, 2015 and 2014

NOTE 7 - PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS-(Continued)

- a) To the Investor Limited Partner in an amount equal to the unpaid Housing Tax Credit Shortfall Payment;
- b) To replenish any funds disbursed from the Operating Deficit Reserve Account;
- c) To pay interest on any loans, including Voluntary Loans (but excluding Operating Loans and Deferred Development Fees), from Partners, pro rata in accordance with the amount of interest accrued as of the date of such distribution;
- d) To repay principal of any loans, including Voluntary Loans (but excluding Operating Loans and Deferred Development Fees), from Partners, pro rata in accordance with the amount of the principal balances as of the date of such distribution;
- e) To pay in full any unpaid Asset Management Fees;
- f) To pay in full any unpaid Development Fees;
- g) To pay in full any Operating Loans;
- h) Subsequent to Rental Achievement, to pay the Management or Supervisory Management Fee, as applicable, due pursuant to the Supervisory Management and Incentive Agreement;
- i) Subsequent to Rental Achievement, to pay the Incentive Management Fee due pursuant to the Supervisory Management and Incentive Agreement;
- j) The balance to be paid .01% to the General Partner, .01% to the Administrative Limited Partner and 99.98% to the Limited Partner.

Sale or Refinancing Transaction Proceeds shall be applied in the following order of priority:

- (I) To the payment of liabilities of the Partnership payable other than the Partners;
- (II) To establish such reserves as the General Partners, with the Consent of the Administrative Limited Partner, determine to be reasonably necessary for any contingent or foreseeable liability or obligation of the Partnership;
- (III) To the Investor Limited Partner in an amount equal to any unpaid Housing Tax Credit Shortfall Payment;
- (IV) To pay in full any unpaid Asset Management Fees;
- (V) To pay interest on any loans, including Voluntary Loans, from Partners or their Affiliates provided for herein, pro rata in accordance with the amount of interest accrued as of the date of such distribution;
- (VI) To repay principal of any loans, including Voluntary Loans, payable to Partners or their affiliates, pro rata in accordance with the amount of the principal balances as of the date of such distribution;
- (VII) The balance, if any, 9.9% to the Investor Limited Partner, 0.1% to the Administrative Limited Partner and 90.0% to the General Partners.

NOTE 8 - CAPITALIZED COSTS

The costs incurred to obtain financing of the project partnership have been capitalized and are being amortized as described below:

Financing Costs	<u>Amortization Period</u>	<u>2015</u>	<u>2014</u>
Less: Accumulated Amortization	41.5 years	\$ 120,656	\$ 120,656
<u>NET CAPITALIZED COSTS</u>		<u>(29,313)</u>	<u>(26,406)</u>
		<u>\$ 91,343</u>	<u>\$ 94,250</u>

COMMUNITY HOUSING PARTNERS VI L.P.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

December 31, 2015 and 2014

NOTE 9 - RESTRICTED ESCROW DEPOSITS AND RESERVES

According to loan and other regulatory agreements, the Partnership is required to maintain certain escrow deposits and reserves. In addition to various bond escrows, the Partnership was required to fund an operating reserve from Limited Partner contributions and to fund a replacement reserve. The reserve was being funded at the rate of \$2,713, but subsequent to year end it was determined the monthly rate should have been \$2,780 per month since January 2012. Management intends to deposit the amount under-funded as cash flow allows. The Partnership has established a voluntary debt service reserve equal to one year's debt service on the first mortgage note. The following shows the activity in escrows and reserves during 2015:

	Balance January 1, 2015	Additions and Interest	Withdrawals and Transfers	Balance December 31, 2015
Tax Escrow	\$ 12,412	\$ 29,864	\$ (28,942)	\$ 13,334
Insurance Escrow	1,635	30,527	(11,486)	20,676
Mortgage Insurance Escrow	2,411	4,822	(4,847)	2,386
Replacement Reserve	202,280	32,664	-	234,944
Operating Reserve	101,381	173	-	101,554
Debt Service Reserve	63,108	63	-	63,171
	<u>\$ 383,227</u>	<u>\$ 98,113</u>	<u>\$ (45,275)</u>	<u>\$ 436,065</u>

NOTE 10 - PROPERTY PURCHASE OPTION

The project partnership has or is expected to grant its General Partner an option to purchase partnership property at the end of the low income housing tax compliance period at a price which would facilitate the purchase while protecting the Partnership's tax benefits from the project. Such option is based on the project General Partner or sponsor maintaining the low-income occupancy of the project and is in a form satisfactory to legal and accounting counsel.

NOTE 11 - TENANT ACCOUNTS RECEIVABLE

At December 31, 2015 and 2014 tenant accounts receivable consist of the following:

	2015	2014
Accounts Receivable – Tenants	\$ 3,884	\$ 5,435
Allowance for Bad Debts	(170)	-
	<u>\$ 3,714</u>	<u>\$ 5,435</u>

NOTE 12- PROJECT MANAGEMENT FEES

Project management fees to East Lake Management Group, Inc. are determined at 5% of tenant-related collections. Management fees under the agreement totaled \$25,282 and \$25,148 during 2015 and 2014, respectively.

ACCOMPANYING INFORMATION

COMMUNITY HOUSING PARTNERS VI L.P.

SCHEDULE I - PROJECT OPERATING EXPENSES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ADMINISTRATIVE EXPENSES</u>		
Provision for Bad Debts (Net Recoveries)	\$ 918	\$ (398)
Office Salaries	38,220	32,295
Office Supplies	866	557
Property Management Fees	25,282	25,148
Professional Fees - Legal	2,600	2,500
Professional Fees - Accounting	12,993	12,100
Telephone Expense	9,745	8,523
Tenant Programs	16,445	14,551
Miscellaneous	11,573	12,325
<u>TOTAL ADMINISTRATIVE EXPENSES</u>	<u>\$ 118,642</u>	<u>\$ 107,601</u>
<u>UTILITIES EXPENSES</u>		
Electricity	\$ 48,947	\$ 41,358
Water and Sewer	16,970	16,701
Gas	22,083	21,693
<u>TOTAL UTILITIES EXPENSES</u>	<u>\$ 88,000</u>	<u>\$ 79,752</u>
<u>OPERATING AND MAINTENANCE EXPENSES</u>		
Janitorial Contract	\$ 1,625	\$ 1,989
Janitorial Supplies	603	1,232
Exterminating	3,691	4,085
Scavenger	3,330	2,847
Security	5,641	5,133
Maintenance Salaries	37,365	36,575
Maintenance Supplies and Material	10,627	9,549
Repairs	28,993	39,079
Grounds maintenance	1,837	2,883
Snow Removal	26,200	28,160
Miscellaneous Operating and Maintenance	3,534	2,555
<u>TOTAL OPERATING AND MAINTENANCE EXPENSES</u>	<u>\$ 123,446</u>	<u>\$ 134,087</u>
<u>TAX AND INSURANCE EXPENSES</u>		
Payroll Taxes	\$ 7,858	\$ 7,642
Real Estate Taxes	29,542	28,770
Property and Liability Insurance	21,525	21,880
Fidelity Insurance	42	74
Workman's Compensation	1,883	1,537
Employee Benefits	13,946	13,103
Miscellaneous Taxes and Insurance	593	386
<u>TOTAL TAX AND INSURANCE EXPENSES</u>	<u>\$ 75,389</u>	<u>\$ 73,392</u>

COMMUNITY HOUSING PARTNERS VI L.P.
SCHEDULE II - COMPUTATION OF DEBT SERVICE COVERAGE RATIO

Pursuant to Agreement of Limited Partnership
Year Ended December 31, 2015

<u>CASH RECEIPTS (NOTE 3)</u>		\$ 504,063
TOTAL INCOME RECEIVED - CASH BASIS		
ADJUSTMENTS	\$ 63,171	
Debt service reserve voluntarily set-aside	-	
Interest income (w/a-all reserve earnings)	-	
Reductions in reserves and escrows:		
Debt service reserve	-	
Real estate tax escrow	-	
Operating reserve	-	
Property insurance escrow	-	
Mortgage insurance escrow	25	63,196
	<u>25</u>	<u>63,196</u>
<u>TOTAL CASH RECEIPTS AVAILABLE</u>		<u>567,259</u>

<u>EXPENDITURES (NOTE 4)</u>		
TOTAL EXPENSES - ACCRUAL BASIS		405,477
ADJUSTMENTS		
Less bad debt	(918)	
Add fixed asset additions in total	-	
Less fixed asset additions above funded from reserves	-	
Add increase in insurance escrow	19,041	
Add increase in operating reserve	173	
Add increase in real estate tax escrow	922	
Add increase in replacement reserve	32,664	
Add increase in debt service reserve	63	
	<u>63</u>	<u>457,422</u>
<u>TOTAL EXPENDITURES</u>		<u>457,422</u>

<u>MUST PAY DEBT SERVICE</u>		
Principal payments on first mortgage		109,837
Mortgage insurance	11,032	
Interest expense, first mortgage	4,796	
	<u>63,971</u>	<u>79,799</u>
<u>TOTAL MUST PAY DEBT SERVICE</u>		<u>79,799</u>

DEBT SERVICE COVERAGE RATIO (NOTE 1)

1.38

NOTE 1 DEBT SERVICE COVERAGE RATIO

Per page nine of the partnership agreement, the debt service coverage ratio is computed as the ratio of Operating Cash Flow to Must Pay Debt Service

NOTE 2 OPERATING CASH FLOW

Per page nine of the partnership agreement, Operating Cash Flow is the excess of Cash Receipts over Cash Disbursements

NOTE 3 CASH RECEIPTS

Per page six of the partnership agreement, Cash Receipts equals all cash receipts, excluding interest income, and including the reduction in escrows and reserves. The Partnership has made a voluntary set-aside to a debt service reserve to be available for funding of the annual must pay debt service.

NOTE 4 EXPENDITURES

Per page six of the partnership agreement, Expenditures are determined on the accrual basis including fixed asset expenditures and increases in escrows and reserves, but excluding fixed assets funded by reserve withdrawals

COMMUNITY HOUSING PARTNERS VI L.P.

SCHEDULE III - COMPUTATION OF SURPLUS CASH

YEAR ENDED DECEMBER 31, 2015

<u>CASH AVAILABLE</u>	
Cash, Operating Account	\$ 18,130
Voluntary Debt Service Reserve	63,171
	<u>81,301</u>
<u>TOTAL AVAILABLE CASH</u>	
<u>REDUCTIONS IN CASH AVAILABLE</u>	
Accounts Payable - Trade	21,813
Prepaid Rents and Deposits	6,339
Accrued Interest Payable, First Mortgage	5,306
Accrued Payroll	2,923
	<u>36,381</u>
<u>TOTAL REDUCTIONS IN CASH AVAILABLE</u>	
<u>SURPLUS CASH</u>	<u>\$ 44,920</u>

COMMUNITY HOUSING PARTNERS VI L.P.

SCHEDULE IV - CHANGES IN FIXED ASSETS

YEAR ENDED DECEMBER 31, 2015

	2014	Additions	2015
Land and Improvements	\$ 1,388,719	\$ —	\$ 1,388,719
Buildings and Improvements	8,158,109	—	8,158,109
Furniture and Equipment	93,517	—	93,517
	<u>\$ 9,640,345</u>	<u>\$ —</u>	<u>\$ 9,640,345</u>
Accumulated Depreciation	<u>\$ (1,749,053)</u>	<u>\$ (211,808)</u>	<u>\$ (1,960,861)</u>

2015 Additions

None

Wieland & Company, Inc.

Certified Public Accountants

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Partners
Community Housing Partners VI L.P.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements Community Housing Partners VI L.P., (an Illinois limited partnership) (HUD Project No. 071-35767), which comprise the balance sheet as of December 31, 2015, and the related statements of operations, partners' equity, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 11, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards - Continued

Purpose of this Report

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

Wieland & Company, Inc.

Batavia, Illinois
March 11, 2016

Wieland & Company, Inc.

201 Houston Street, Suite 301
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Certified Public Accountants

Phone (630) 406-4490
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Independent Auditor's Report on Compliance For Each Major HUD Program and on Internal Control Over Compliance Required by the Consolidated Audit Guide for Audits of HUD Programs

To the Partners
Community Housing Partners VI L.P.

Report on Compliance for Each Major HUD Program

We have audited Community Housing Partners VI L.P., (an Illinois limited partnership) (HUD Project No. 071-35767)'s compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on each of the Partnership's major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2015. The Partnership's major HUD program and the related direct and material compliance requirements are as follows: Section 221(d)(4) Mortgage Insurance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Partnership's major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred.

An audit includes examining, on a test basis, evidence about the Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of the Partnership's compliance.

Opinion on Each Major HUD Program

In our opinion, the Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended December 31, 2015.

Other Matters

We noted certain matters that we are required to report to management of the Partnership in a separate written communication. These matters are described in our Management Letter dated March 11, 2016.

Independent Auditor's Report on Compliance For Each Major HUD Program and on Internal Control Over Compliance Required by the Consolidated Audit Guide for Audits of HUD Programs – Continued

Report on Internal Control Over Compliance

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

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

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

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

Wieland & Company, Inc.

Batavia, Illinois
March 11, 2016

COMMUNITY HOUSING PARTNERS VI L.P.

HUD PROJECT NO. 071-35767

CERTIFICATE OF GENERAL PARTNER

We hereby certify that we have examined the accompanying financial statements and supplemental data of Community Housing Partners VI L.P., (an Illinois limited partnership) (HUD Project No. 071-35767) as of December 31, 2015 and for the year then ended and, to the best of our knowledge and belief, the same are accurate and complete.

COMMUNITY HOUSING PARTNERS VI L.P.
MANAGING GENERAL PARTNER

Dated March 11, 2016


Chicago Community Development Corporation
Anthony J. Fusco, Jr., President
Telephone (312) 422-7700

Partnership Tax Identification Number:

36-4254888

COMMUNITY HOUSING PARTNERS VI L.P.


HUD PROJECT NO. 071-35767

CERTIFICATE OF MANAGING AGENT

We hereby certify that we have examined the accompanying financial statements and supplemental data of Community Housing Partners VI L.P., (an Illinois limited Partnership) (HUD Project No. 071-35767 as of December 31, 2015 and for the year then ended and, to the best of our knowledge and belief, the same are accurate and complete.

PROJECT MANAGEMENT COMPANY:
East Lake Management Group, Inc.
Dated February 5, 2016

Signature of representative


Signed _____ Title _____

Federal E.I.N. 36-3309901