THE RENAISSANCE COLLABORATIVE, INC.
CHICAGO, ILLINOIS

CONSOLIDATED FINANCIAL AND COMPLIANCE AUDIT REPORT

YEARS ENDED DECEMBER 31, 2017 AND 2016

THE RENAISSNACE COLLABORATIVE, INC.

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RAGLAND, ARNOLD, BUCHANAN,
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INDEPENDENT AUDITORS' REPORT

Board of Directors of
The Renaissance Collaborative, Inc.
Chicago, Illinois

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Renaissance Collaborative, Inc., and affiliates, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Renaissance Collaborative, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note A-13 to the financial statements, certain immaterial adjustments were made to correct prior year cash and accounts payable balances and to reconcile intercompany activity using consolidating entries stemming from the prior year resulting in a net decrease in net assets & partners' capital. Accordingly, an adjustment has been made to net assets as of December 31, 2017, to correct the errors. The financial statements as of December 31, 2016 were not restated. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited The Renaissance Collaborative Inc.'s 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of The Renaissance Collaborative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Renaissance Collaborative Inc.'s internal control over financial reporting and compliance.

Ragland, Arnold, Buchanan, Morris, & Associates, LLC

Ragland, Arnold, Buchanan, Morris & Associates, LLC
Certified Public Accountants

Mokena, Illinois
June 29, 2018

THE RENAISSANCE COLLABORATIVE, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

ASSETS

	The Renaissance Collaborative, Inc.	Renaissance Partners, Ltd.	Consolidating Entries	2017 Consolidated Total	2016 Consolidated Total
CURRENT ASSETS					
Cash and cash equivalents (Note A-3 & Note B-4)	$ 3,683	$ 10,828	$ -	$ 14,511	$ 64,349
Tenants accounts receivable (Note A-16)	-	52,478	-	52,478	7,897
Other receivable	86,247	3,370	-	89,617	21,794
Grants receivable (Note A-4)	51,086	-	-	51,086	57,509
Investment in RPLP	1,883,343	-	(1,883,343)	-	-
Pre-paid expenses	17,956	46,643	-	64,599	9,923
Total current assets	2,042,315	113,319	(1,883,343)	272,291	161,472
Tenant security deposits, restricted (Note A-9)	-	28,015	-	28,015	22,852
Tenant match account	6,621	-	-	6,621	36,622
RESTRICTED DEPOSITS					
Operations/Replacement reserve (Note A-7 & Note A-8)	91,263	1,788,652	-	1,879,915	1,663,794
Total restricted deposits	97,884	1,816,667	-	1,914,551	1,723,268
NON-CURRENT ASSETS					
Property & equipment, net of accumulated depreciation	316,426	3,821,353	-	4,137,779	4,510,555
Intangible assets, net of accumulated amortization (Note A-10)	2,200	4,288	-	6,488	6,939
Total non-current assets	318,626	3,825,641	-	4,144,267	4,517,494
OTHER ASSETS					
Loans receivable (Note B-3)	365,826	1,225,141	(1,134,287)	456,680	456,680
Total other assets	365,826	1,225,141	(1,134,287)	456,680	456,680
TOTAL ASSETS	$ 2,824,651	$ 6,980,768	$ (3,017,630)	$ 6,787,789	$ 6,858,914

The accompanying notes are an integral part of these financial statements.

THE RENAISSANCE COLLABORATIVE, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

LIABILITIES AND NET ASSETS

	The Renaissance Collaborative, Inc.	Renaissance Partners, Ltd.	Consolidating Entries	2017 Consolidated Total	2016 Consolidated Total
CURRENT LIABILITIES					
Accounts payable	$ 106,830	$ 59,643	$ -	$ 166,473	$ 101,332
Accrued expenses	52,267	7,901	-	60,168	65,564
Total current liabilities	159,097	67,544	-	226,641	166,896
DEPOSIT LIABILITIES					
Tenant security deposits - contra (Note A-9)	-	26,484	-	26,484	22,013
Tenant match account - contra	36,622	-	-	36,622	36,622
Total deposit liabilities	36,622	26,484	-	63,106	58,635
OTHER CURRENT LIABILITIES					
Note payable (Note B-5)	-	46,643	-	46,643	-
Total other current liabilities	-	46,643	-	46,643	-
NONCURRENT LIABILITIES					
Long-term debt (Note B-1)	-	7,168,618	-	7,168,618	7,168,618
Loan payable	503,375	-	(503,375)	-	-
Unearned revenue	101,870	-	-	101,870	80,609
Total non-current liabilities	605,245	7,168,618	(503,375)	7,270,488	7,249,227
TOTAL LIABILITIES	800,964	7,309,289	(503,375)	7,606,878	7,474,758
NET ASSETS & PARTNERS' CAPITAL (Note A-2)					
Partners' Capital (Deficit)	-	(328,521)	-	(328,521)	(362,201)
Unrestricted (Deficit)	2,023,687	-	(2,514,255)	(490,568)	(253,643)
Total unrestricted net assets & partners' capital (Deficit)	2,023,687	(328,521)	(2,514,255)	(819,089)	(615,844)
TOTAL LIABILITIES NET ASSETS	$ 2,824,651	$ 6,980,768	$ (3,017,630)	$ 6,787,789	$ 6,858,914

THE RENAISSANCE COLLABORATIVE, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

CHANGES IN UNRESTRICTED NET ASSET AND REVENUE:	The Renaissance Collaborative, Inc.	Renaissance Partners, Ltd.	Consolidating Entries	2017 Consolidated Total	2016 Consolidated Total
PUBLIC SUPPORT (Note A-4)					
U.S. Dept. of Housing & Urban Development	$ 128,040	$ -	$ -	$ 128,040	$ 166,041
Illinois Dept. of Human Services	85,637	-	-	85,637	37,256
City of Chicago Dept. of Business Affairs & Consumer Protection	-	-	-	-	20,000
City of Chicago Dept. of Planning & Development	30,000	-	-	30,000	27,500
Total unrestricted public support	243,677	-	-	243,677	250,797
REVENUES (Note A-5)					
RENT REVENUES					
CHA HAP revenues	-	505,440	-	505,440	490,035
Tenant rental income (net vacancies)	-	272,160	-	272,160	232,473
YMCA income	-	-	-	-	2,231
Rental space income	5,444	4,800	-	10,244	12,638
Real estate management income	161,807	-	(83,645)	78,162	98,511
Landscaping income	238,161	-	-	238,161	304,037
Total rent revenues	405,412	782,400	(83,645)	1,104,167	1,139,925
FINANCIAL REVENUES					
Interest income	3	132	-	135	206
Revenues from investments - Replacement reserve	219	-	-	219	122
Revenues from investments - Securities	-	29,858	-	29,858	27,256
Unrealized Gain/Loss on investments	-	171,308	-	171,308	40,072
Total financial revenues	222	201,298	-	201,520	67,656
OTHER REVENUES					
Individual/Board member donations	8,090	-	-	8,090	13,401
Fundraising income	53,422	-	-	53,422	59,583
Foundations & corporate grants	95,700	-	-	95,700	92,700
Laundry commission	-	3,877	-	3,877	3,842
Other revenue	218,295	5,442	(187,995)	35,742	35,688
Total other revenues	375,507	9,319	(187,995)	196,831	205,214
Total unrestricted public support and revenue	1,024,818	993,017	(271,640)	1,746,195	1,663,592
EXPENSES (Note A-6)					
Program and operating expenses	657,499	872,016	(187,995)	1,341,520	1,292,221
General and administrative expenses	403,761	87,321	(83,645)	407,437	574,971
Fundraising expenses	159,429	-	-	159,429	22,820
Total expenses	1,220,689	959,337	(271,640)	1,908,386	1,890,012
(Decrease) increase in unrestricted net assets & partners' capital (Note A-12)	(195,871)	33,680	-	(162,191)	(226,420)
Net assets & Partners' Capital (Deficit) - beginning of year	2,219,689	(362,201)	(2,473,332)	(615,844)	(258,968)
Adjustment of net assets & partners' capital (Deficit), beginning of year (Note A-13)	(131)	-	(40,923)	(41,054)	(130,456)
Net assets & partners' capital (Deficit) - beginning of year, adjusted	2,219,558	(362,201)	(2,514,255)	(656,898)	(389,424)
Net assets & partners' capital (Deficit) - end of year (Note A-2)	$ 2,023,687	$ (328,521)	$ (2,514,255)	$ (819,089)	$ (615,844)

The accompanying notes are an integral part of these financial statements.

THE RENAISSANCE COLLABORATIVE, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

	The Renaissance Collaborative, Inc.	Renaissance Partners, Ltd.	Consolidated Entries	2017 Consolidated Total	2016 Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES					
(Decrease) increase in net assets & partners' capital (Note A-12)	$ (195,871)	$ 33,680	$ -	$ (162,191)	$ (226,420)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:					
Depreciation expense (Note A-9)	383,809	-	-	383,809	383,654
Amortization expense	451	-	-	451	451
(Increase) decrease in assets:					
Tenant accounts receivable	-	(44,581)	-	(44,581)	(6,270)
Other receivable	(68,537)	714	-	(67,823)	(15,822)
Prepaid expenses and other current	(8,033)	(46,643)	-	(54,676)	(5,605)
Grants and contracts receivable, net	6,423	-	-	6,423	16,709
Tenant security deposits	-	(5,163)	-	(5,163)	-
Reserve accounts (Note A-7)	9,786	(225,907)	-	(216,121)	(56,486)
Tenant match account	30,001	-		30,001	(1,397)
Loans receivable	(74,604)	(184,385)	-	(258,989)	(154,500)
Increase (decrease) in liabilities:					
Accounts payable	21,620	43,541	-	65,161	48,238
Accrued expenses	(2,622)	(2,774)	-	(5,396)	(11,774)
Tenant match account	-	-	-	-	1,397
Tenant security deposit (Note A-9)	-	4,450	-	4,450	1,272
Deferred revenue	21,261	-	-	21,261	34,541
Other adjustments	(379,765)	379,765	-	-	-
Prior period adjustments (Note A-13)	(131)	-	(40,923)	(41,054)	(130,456)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(256,212)	(47,303)	(40,923)	(344,438)	(108,611)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	(9,000)	(2,032)	-	(11,032)	(48,656)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(9,000)	(2,032)	-	(11,032)	(48,656)
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal borrowings on notes payable	218,066	46,643	-	264,709	154,500
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	218,066	46,643	-	264,709	154,500
NET DECREASE IN CASH AND CASH EQUIVALENTS	(47,146)	(2,692)	-	(49,838)	(2,767)
CASH AT BEGINNING OF YEAR	50,829	13,520	-	64,349	67,116
CASH AT END OF YEAR (Note A-3 & Note B-4)	$ 3,683	$ 10,828	$ -	$ 14,511	$ 64,349
CASH PAID DURING THE YEAR FOR:					
INTEREST	$ -	$ 1,158	$ -	$ 1,158	$ -

The notes are an integral part of these financial statements.

THE RENAISSANCE COLLABORATIVE, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

	Program Services							
	Social Services	Bronzeville Green	Sr. Village Health & Wellness	Property Mgmt.	Bronzeville Retail Initiative	TRC, Inc.	RPLP	Total Program Services
Salaries	$ 149,315	$ 133,544	$ -	$ 179,541	$ -	462,400	$ 163,567	$ 625,967
Payroll taxes & Employee benefits	23,695	31,593	-	31,593	-	86,881	24,428	111,309
Advertising (Note A-14)	-	1,052	-	-	-	1,052	-	1,052
Occupancy	-	-	-	-	-	-	-	-
Tenant expenses	4,840	-	4,221	-	-	9,061	-	9,061
Telephone	2,677	3,568	-	3,568	-	9,813	-	9,813
Supplies	-	13,446	-	-	-	13,446	5,294	18,740
Rental and maintenance of equip.	-	18,086	-	-	-	18,086	-	18,086
Building repairs & maintenance	-	-	-	-	-	-	63,581	63,581
Maintenance/Service Contracts	-	-	-	-	-	-	41,826	41,826
Equipment	-	-	-	-	-	-	1,358	1,358
Printing and Publications	-	-	-	-	-	-	-	-
Postage and shipping	-	-	-	-	-	-	-	-
Conference and meetings	-	-	-	-	-	-	-	-
Travel	-	8,516	-	-	-	8,516	-	8,516
Professional fees	-	-	-	-	-	-	90,130	90,130
Fees & Permits	-	-	-	-	-	-	3,491	3,491
Office expense	3,935	5,246	-	5,246	-	14,427	-	14,427
Fines/penalties	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	98,596	98,596
Miscellaneous expenses	-	-	-	-	-	-	-	-
Insurance	9,223	12,297	-	12,297	-	33,817	-	33,817
Gala/Friendraiser expenses	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-
Computer expense	-	-	-	-	-	-	-	-
Staff Development/Training	-	-	-	-	-	-	-	-
Total expenses before depreciation/amortization	$ 193,685	$ 227,348	$ 4,221	$ 232,245	$ -	$ 657,499	$ 492,271	$ 1,149,770
Amortization	-	-	-	-	-	-	451	451
Depreciation (Note A-10)	-	-	-	-	-	-	379,294	379,294
Total expenses	$ 193,685	$ 227,348	$ 4,221	$ 232,245	$ -	$ 657,499	$ 872,016	$ 1,529,515

The accompanying notes are an integral part of these financial statements.

THE RENAISSANCE COLLABORATIVE, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

	SUPPORTIVE SERVICES						
	TRC, Inc. Management and General	RPLP Management and General	Fundraising	Total Supporting Services	Consolidating Entries	2017 Consolidated Total	2016 Consolidated Total
Salaries	$ 216,577	$ -	$ 95,046	$ 311,623	(163,567)	$ 774,023	$ 810,085
Payroll taxes & Employee benefits	50,648	-	20,436	71,084	(24,428)	157,965	162,475
Advertising (Note A-14)	322	-	-	322	-	1,374	7,175
Occupancy	-	-	-	-	-	-	-
Tenant expenses	-	-		-	-	9,061	9,730
Telephone	6,648	2,564	1,383	10,595	-	20,408	12,569
Supplies	-	-	-	-	-	18,740	31,996
Rental and maintenance of equip.	89	-	-	89	-	18,175	25,754
Building repairs & maintenance	-	-	-	-	-	63,581	55,388
Maintenance/Service Contracts	-	-	-	-	-	41,826	36,888
Equipment	96	-	-	96	-	1,454	4,153
Printing and Publications	7,099	-	-	7,099	-	7,099	4,287
Postage and shipping	2,646	47	-	2,693	-	2,693	921
Conference and meetings	1,089	-	-	1,089	-	1,089	3,154
Travel	1,225	-	68	1,293	-	9,809	12,063
Professional fees	53,129	3,420	21,801	78,350	(83,645)	84,835	92,101
Fees & Permits	2,679	-	253	2,932	-	6,423	4,330
Office expense	11,804	7,151	-	18,955	-	33,382	14,327
Fines/penalties	3,536	-	-	3,536	-	3,536	1,537
Utilities	-	-	-	-	-	98,596	93,992
Miscellaneous expenses	1	1,142	-	1,143	-	1,143	5,128
Insurance	27,669	68,207	-	95,876	-	129,693	78,753
Gala/Friendraiser expenses	-	-	19,130	19,130	-	19,130	18,254
Interest expense	-	1,158	-	1,158		1,158	-
Computer expense	13,111	3,632	1,312	18,055	-	18,055	16,687
Staff Development/Training	878	-	-	878	-	878	4,160
Total expenses before depreciation/amortization	$ 399,246	$ 87,321	$ 159,429	$ 645,996	$ (271,640)	$ 1,524,126	$ 1,505,907
Amortization	-	-	-	-	-	451	451
Depreciation (Note A-10)	4,515	-	-	4,515	-	383,809	383,654
Total expenses	$ 403,761	$ 87,321	$ 159,429	$ 650,511	$ (271,640)	$ 1,908,386	$ 1,890,012

The accompanying notes are an integral part of these financial statements.

THE RENAISSANCE COLLABORATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

ORGANIZATION

The Renaissance Collaborative, Inc. is a not-for-profit corporation formed under the laws of the State of Illinois on May 21, 1992, and its wholly owned affiliate, Renaissance Partners, Ltd. The Renaissance Collaborative, Inc., (commonly known as TRC), is dedicated to providing affordable housing, suitable living environment and to build and restore human and spiritual dignity of all those served. The Organization receives contributions from government agencies, foundations, corporations and individuals. The Renaissance Collaborative Inc.'s affiliate, Renaissance Partners, Ltd. was formed as a limited partnership under the laws of the state of Illinois in 1995 for the purpose of operating a rental housing project. The project consists of 101 units located in Chicago, Illinois. The partnership is currently operating under the name of Renaissance Apartments and Fitness for Life Center.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. BASIS OF ACCOUNTING

The consolidated financial statements of The Renaissance Collaborative, Inc. have been prepared on the accrual basis of accounting and, accordingly, disclose all significant receivables, revenues and expenses, payables, and other liabilities.

Estimates

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

2. CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

Consolidated Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations.* Under the terms of that Statement, the consolidated financial statements include the accounts of The Renaissance Collaborative, Inc. and Renaissance Partners, Ltd. The assets, liabilities, net assets, revenues and expenses have been consolidated as The Renaissance Collaborative, Inc. All significant intercompany transactions are eliminated in the consolidated financial statements.

Renaissance Partners, Ltd., due to substantial organizational control by The Renaissance Collaborative, Inc., is consolidated in these financial statements. The Renaissance Collaborative, Inc. had unrestricted net assets for the years ended December 31, 2017 and 2016 in the amount of $(819,089) and $(615,844), respectively.

Date of Management's Review

Management has evaluated subsequent events through June 29, 2018, the date which the consolidated financial statements were available to be issued.

3. CASH AND CASH EQUIVALENTS

For the purpose of reporting cash flows, cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of purchase.

Restricted cash is not considered cash equivalents and includes cash held with financial institutions for refunds of tenant security deposits, funding of operating deficits, repairs and improvements to the building.

4. PUBLIC SUPPORT AND GRANTS RECEIVABLE

Public support is recognized from the various funding sources when billed to the funding sources. Many of the contracts are the reimbursement type, which require the Organization to pay for services provided to the participants before it may bill for reimbursement. One a periodic basis, management performs an internal assessment of all grants and accounts receivable accounts and directly writes off delinquent balances at year end. The grants receivables of $51,086 and $57,509 represent billed and unbilled costs for which payments have not been received as of December 31, 2017 and 2016, respectively.

5. REVENUE RECOGNITION

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other income includes fees earned for late payments, cleaning, damages, laundry facilities and other charges and is recorded when earned.

6. EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities reported as Program, Management & General and Fund Raising expenses and accordingly certain costs have been allocated among the programs benefited. The aforementioned management and general expenses relate to the overall direction of The Renaissance Collaborative, Inc. and include expenses for activities of the governing Board, business management, general accounting and budgetary functions. Further, fund-raising expenses are the costs of all activities that constitute an appeal for financial support. The management and general expenses, as well as the fund-raising expenses, are allocated in accordance with managements budget plan. These costs are disclosed in the Statement of Functional Expenses and are allocated to the cost categories benefited.

7. RESERVE FOR REPLACEMENTS AND RESERVE OPERATING DEFICITS

Under the terms of the Regulatory Agreement, TRC is required to make monthly contributions to a reserve for replacement account maintained by management; intended to be used to fund replacement of furniture and equipment, pay for building improvements. Other reserve accounts are used to negate operating deficits. The Regulatory Agreement contains provisions enabling TRC to borrow from these funds to cover normal operating expenses in certain situations. Following is a summary of the reserve account balances:

Bank Name	2017	2016
Illinois Service Federal	$ 90,226	$ 100,012
PNC Bank *	127,030	102,312
BMO Harris Bank	44,698	44,675
Bernstein Investments **	1,615,419	1,414,253
JP Morgan Chase Bank	2,542	2,542
Total Reserves	$ 1,879,915	$ 1,663,794

* ***Reserve for Replacement*** - Under the terms of the regulatory agreement, the project is required to make monthly contributions to a reserve account maintained by management. Of the $127,030 PNC Bank reserve funds, $71,090 represent Reserve for Replacement funds which is intended to be used to fund replacement of furniture and equipment, major repairs and to pay for building improvements. The following is a reconciliation of the account as of December 31, 2017 and 2016:

	2017	2016
Balance, at beginning of year	$ 46,435	$ 57,558
Interest Income	45	37
Required contributions	43,610	49,840
Additional deposits	-	-
Withdrawals	(19,000)	(61,000)
Balance at end of year	$ 71,090	$ 46,435

** ***Bernstein Investments*** - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included as part of investment income in the change in net assets. Investments that held in brokerage accounts are protected by the SIPC in the event of broker-dealer failure, up to $500,000 of protection for each brokerage account with a limit of $250,000 for claims of un-invested cash balances. The insurance does not protect against market losses on investments. The 2017 and 2016 totals are as follows:

Asset Class	2017	2016
Money Market Funds	$ 9,419	$ 3,580
Bonds	388,496	377,747
US Equities	470,564	415,415
International Equities	203,251	140,959
Other	543,689	476,552
	$ 1,615,419	$ 1,414,253

The investments consist of cash and marketable securities and are presented in the financial statements at fair value based on quoted prices in active markets. Refer to Note A-8 for additional information on Alliance Bernstein Investments (marketable securities) and fair value measurements.

8. FAIR VALUE MEASUREMENTS

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of The Renaissance Collaborative, Inc. Unobservable inputs reflect The Renaissance Collaborative, Inc.'s assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs, as follows:

- Level 1—Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date. All of the investments held at Alliance Bernstein are included in Level 1 Fair Value Measurements.

- Level 2—Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

- Level 3—Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect The Renaissance Collaborative, Inc.'s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date. The totals as of December 31, 2017 and 2016 are as follows:

2017 Description	Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable Securities	$ 1,615,419	$ 1,615,419	$ -	$ -

2016 Description	Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable Securities	$ 1,414,253	$ 1,414,253	$ -	$ -

Investment income related to these investments is included with revenues and gains on the consolidated statements of activities and was comprised of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Interest and dividend income	$ 29,858	$ 27,256
Unrealized gain (loss)	171,308	40,072
Totals	$ 201,166	$ 67,328

9. TENANT SECURITY DEPOSITS

TRC collects a refundable security deposit from its tenants upon move-in to cover cleaning and damage expenses that may be incurred by the tenant upon the tenant leaving the residence. Upon receipt of deposit funds, TRC transfers them to a separate interest bearing account at a local bank. The Regulatory Agreement requires the amount of funds on deposit in the tenant deposit account to equal or exceed the liability to tenants for refundable deposits. At December 31, 2017 and 2016, the tenant security deposits are as follows:

	2017	2016
Tenant security deposits in bank	$ 28,015	$ 22,852
Tenant security deposits (contra)	(26,484)	(22,013)
Amount over funded	$ 1,531	$ 839

10. PROPERTY AND EQUIPMENT

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis ranging from three (3) to forty (40) years.

Per the Organization's property and equipment policy, items purchased costing $1,000 or more per unit is capitalized and the straight line method of depreciation is used over its estimated life. All capital assets purchased with grant or other restricted funds will be cataloged. The Renaissance Collaborative Inc's equipment and leasehold improvements are summarized as follows:

Property Description	Estimated Useful Lives	Cost	Accumulated Depreciation	Accumulated Amortization	Book Value
Land	N/A	$ 49,973	$ -	$ -	$ 49,973
Building & Improvements	17.0 - 27.5	10,310,408	6,408,850	-	3,901,558
Furniture & Fixtures	5.0	416,026	290,344	-	125,682
Equipment	5.0 - 10.0	66,037	57,155	-	8,882
Automobile	3.0	22,684	13,000	-	9,684
Other	N/A	42,000	-	-	42,000
Development/Loan Costs	31.0	14,612	-	8,124	6,488
Total Property and Equipment		$ 10,921,740	$ 6,769,349	$ 8,124	$ 4,144,267

Depreciation/amortization expense for the years ended December 31, 2017 and 2016 are $384,260 and $384,105, respectively.

11. RENT INCREASES

Under the Regulatory Agreement, the Project may not increase rents charged to tenants without prior City of Chicago – Department of Housing approval.

12. INCOME TAX STATUS

The Renaissance Collaborative, Inc. is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to TRC's tax-exempt purpose is subject to taxation as unrelated business income. During the 2017 and 2016 calendar years, there was no unrelated business income. Accordingly, no provision for income taxes has been made. In addition, TRC qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (2).

Uncertainty Income Tax Position

While there is no unrelated business income for the current year and related income taxes, the term "tax position" as used in the FASB interpretation refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods. The term "tax position" also encompasses, but is not limited to:

- A decision not to file a tax return
- An allocation or a shift of income between jurisdictions
- The characterization of income or a decision to exclude reporting taxable income in a tax return
- A decision to classify a transaction, entity, or other position in a tax return as tax-exempt

While this disclosure may not have immediate applicability to the Project's assets, it is required for full disclosure for any tax uncertainty that may arise from possible income tax transactions.

13. PRIOR PERIOD ADJUSTMENTS

Adjustments in net assets for year ended December 31, 2017 resulted from corrections to cash and accounts payable

2016 ending balances totaling $(131) and consolidating entries needed to reconcile intercompany activity such as loans receivable and loans payable totaling $($40,923) in the prior year. Although there were significant changes to net assets in relation to the respective entities (TRC/RPLP), the consolidated balance at year end is immaterial, consequently a restatement of prior year financial statements were deemed not necessary. Net decreases as of December 31, 2017 and 2016 are $(41,054) and $(130,456), respectively.

14. ADVERTISING

The Organization's expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2017 and 2016 was $3,892 and $7,175, respectively.

15. EMPLOYEE BENFIT PLAN

The Organization has a 401K retirement plan which is available to all employees who have attained certain service requirements. Contributions made to the plan are entrusted to ADP retirement services which provides investment consultation and administration. Contributions made to the plan, including employee and employer contributions, employer contributions are limited to 5% of the employee's years end compensation. Employees must be employed during the time of funding to receive the 5% match. For the years ended December 31, 2017 and 2016 employer contributions made to the plan were $-0- and $-0-, respectively.

16. TENANTS ACCOUNTS RECEIVABLE

Receivables for the years ended December 31, 2017 and 2016 are amounts due from various tenants. After an internal assessment of the tenant ledger accounts that are over one month in arrears and all efforts to collect have been exhausted, the Organization deems the balances uncollectible and writes it off to bad debt expense. The Organization deems receivables to be 75% collectible and did not calculate an allowance for doubtful accounts for the current year. There is no major concentration of credit risk in receivables as The Renaissance Collaborative, Inc. has funds due from multiple sources. The tenant accounts receivable balances for the years ended December 31, 2017 and 2016, were $52,478 and $7,897, respectively.

NOTE B - COMMITMENTS AND OBLIGATIONS

1. MORTGAGE NOTE

On June 29, 1999, the City of Chicago made a loan to TRC's affiliate, Renaissance Partners, Ltd. totaling $7,168,618 (the "Loan"). The Loan was evidenced by two notes: (i) a note in the amount of $4,168,618 (the "DOH Note") and (ii) a note in the amount of $3,000,000 (the "EZ Note"). The DOH Note was funded with HOME funds, Multi-Program Funds and SHP Funds; the EZ Note was funded with Empowerment Zone Funds. The loan funds were used in connection with an affordable housing project. As is customary in these details, the Loan is termed a ""soft" source, meaning that it has terms that are more favorable to the borrower than those that would be available for a commercial lender. In this case, the "soft" terms of the Note include a zero percent (0%) annual percentage rate, a 32 year term and principal payments that are only required if, (a) there is rental subsidy received or (b) there is sufficient cash flow. The Loan has a balloon payment of all principal due at maturity. The Loan will need to be refinanced at maturity, which is June 28, 2031.

2. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Renaissance Collaborative, Inc.'s main asset is the Apartment building. The Organizations operations are concentrated in the public housing real estate market. In addition, TRC operates in a heavily regulated environment. The operations of TRC are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including but not limited to City of Chicago. Such administrative directives, rules and regulations are subject to change by an Act of the City Council of the City of Chicago or an Act of Congress. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with change.

3. RELATED PARTY TRANSACTIONS

The Renaissance Collaborative Inc. is responsible for management of a HUD regulated housing Project named TRC Senior Village 1, NFP (commonly known as the Project) and has transferred funds and/or loaned funds to TRC Senior

Village 1, NFP on various occasions in prior years and the current year. The transfer and/or loan from the management company to the Project are the result of delayed funding from HUD to pay operating expenses. The management company and the Project entered into a Promissory Note that stipulates the terms of the transactions. Related party transactions consist mainly of loans from the Organization to other related parties and are classified as loans receivables. Although the balance remains unchanged from prior year, a summary of loans receivable as of December 31, 2017 and 2016 is as follows:

	2017	2016
TRC Senior Village 1, NFP	$ 160,000	$ 160,000
Workforce Center	175,000	175,000
Other	121,680	121,680
Total Loans Receivable	$ 456,680	$ 456,680

In July 2009, The Renaissance Collaborative, Inc. entered into a property/asset management agreement with TRC Senior Village 1, NFP (commonly known as the Project). Pursuant to the agreement, the Project is obligated to pay The Renaissance Collaborative, Inc. a monthly management fee of 10% of monthly gross income effective August 21, 2014. During the years ended December 31, 2017 and December 31, 2016, The Renaissance Collaborative, Inc. earned and was paid $78,162 and $98,511 respectively, under this agreement.

4. CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Renaissance Collaborative, Inc., maintains its cash and investment accounts in various local banks throughout the City of Chicago and surrounding areas. Account amounts up to $500,000 are guaranteed by the Securities Investor Protection Corporation (SIPC). A summary of the insured and uninsured securities investments balances is as follows:

Bank	SIPC Insured	Uninsured	Fair Market Value
Bernstein Investments	$ 500,000	$ 1,115,419	$ 1,615,419

The Organization's investments objectives are capital appreciation, income and aggressive income that provide a high level of current income.

Furthermore, cash checking and savings account balances amounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC), insures deposits up to $250,000 per depositor. A summary of the insured and uninsured balances for the year ended December 31, 2017 are as follows:

Bank	FDIC Insured	Uninsured	Totals
Citibank	$ 31,276	$ -	$ 31,276
PNC Bank	124,625	-	124,625
Illinois Service Federal	90,226	-	90,226
Urban Partnership Bank	2,523	-	2,523
JP Morgan Chase	6,107	-	6,107
MB Financial Bank	9,189		9,189
South Side Community Bank	4,999	-	4,999
Harris Bank	44,698	-	44,698
Total	$ 313,643	$ -	$ 313,643

5. NOTES PAYABLE

The Organization entered into a loan agreement with Premium Assignment Corporation effective November 13, 2017 to finance its commercial insurance with an expiration date of November 13, 2018. The loan has an interest rate of 5.92%, with a monthly installment amount of $5,975.10, payable in nine (9) months with the first payment due December 31, 2017. The Renaissance Collaborative, Inc. made an initial cash down payment of $9,259.95. Total notes payable balance for the year ended December 31, 2017 and 2016 are $46,643 and $-0-, respectively.

RAGLAND, ARNOLD, BUCHANAN,
MORRIS & ASSOCIATES, LLC
Certified Public Accountants and Management Consultants

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

Board of Directors of
The Renaissance Collaborative, Inc.
Chicago, Illinois

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 consolidated financial statements of The Renaissance Collaborative, Inc., which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statement of activities, cash flows, and functional expenses for the year then ended, and the related consolidated notes to the financial statements, and have issued our report thereon dated June 29, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Renaissance Collaborative, Inc.'s consolidated 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 consolidated 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*; refer to **Finding 2017-01**.

We also noted a certain matter that we reported to management of The Renaissance Collaborative, Inc. in a separate letter dated June 29, 2018.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ragland, Arnold, Buchanan, Morris & Associates, LLC

Ragland, Arnold, Buchanan, Morris & Associates, LLC
Certified Public Accountants

Mokena, Illinois
June 29, 2018

THE RENAISSANCE COLLABORATIVE, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

Finding 2016-1

The Renaissance Collaborative, Inc. failed to deposit the required monthly funds into its reserve for replacement account per the mandatory funding requirement as detailed in the regulatory agreement.

Status:

Finding repeated

THE RENAISSANCE COLLABORATIVE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements

Type of auditor's report issued:	**UnModified**	
Internal control over financial reporting:		
Material weakness(es) identified?	______yes	__X__no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______yes	__X__no
Noncompliance material to consolidated financial statements noted?	__X__yes	______no

SECTION II – CONSOLIDATED FINANCIAL STATEMENT FINDINGS

FINDING 2017-1 **QUESTIONED COSTS: None**

Control Deficiency

The Renaissance Collaborative, Inc. failed to deposit the required monthly funds into its reserve for replacement account per the mandatory funding requirement as detailed in the regulatory agreement.

Condition

During our testing, we noted that The Renaissance Collaborative, Inc. failed to deposit equal monthly amounts into the reserve for replacement account which resulted in an underfunding of the account annual deposit amount approved by City of Chicago - Department of Housing. The total amount below the annual funding requirement equaled $31,150 or 42% under the annual obligation.

Criteria

In accordance with the regulatory agreement, the mortgagor will establish and maintain a reserve fund for replacements in a separate bank which is insured by the FDIC. The mortgagor will deposit an amount equal to $6,230 per month or $74,760 per annum, unless a different date or amount is agreed upon by all parties.

Effect

Failure to follow the regulatory agreement could result in non-compliance and funding restrictions from the grantor.

Cause

Management oversight.

Recommendation

We recommend that The Renaissance Collaborative, Inc. consult with the grantor for the purpose of receiving clear guidelines on the appropriate funding levels in regards to the reserve for replacement account. Upon receipt of the aforementioned guidelines, the Organization should establish and implement procedures around funding the reserve for replacement account to ensure that the Organization is in compliance with the regulatory agreement.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No Federal Award Finding and Questioned Costs was noted for the year ended December 31, 2017.

TRC

Senior Village

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Chicago, Illinois 60653
(773) 924-9270 (phone)
(773) 924-9271 (fax)
www.trcwabash.org

Ragland, Arnold, Buchanan, Morris & Associates LLC

Re: Corrective Action Plan - 2017

Finding 2017-1:

The Renaissance Collaborative, Inc. failed to deposit the required monthly funds into its reserve for replacement account per the mandatory funding requirement as detailed in the regulatory agreement.

Corrective Action Plan.

The reserve replacement account was not fully funded per the mandatory funding requirement as set forth by the City of Chicago Department of Housing (DOH). Management is experiencing a significantly higher vacancy loss and a reduction in our funding sources in 2017 as well as 2018. As of July, 2018 the Finance Manager has put into place a payment plan that began funding the $43,610 2017 deficiency, beginning in July thru December 2018, $7,628 will be paid monthly in addition to the $6,230 2018 monthly reserve replacement requirement.

Sincerely,

Patricia Abrams
Executive Director

THE RENAISSANCE COLLABORATIVE, INC.

YEAR ENDED DECEMBER 31, 2017

EXIT CONFERENCE

An exit conference was held on June 29, 2018, and this report was discussed with Organization personnel. Those in attendance were as follows:

The Renaissance Collaborative, Inc.

Names	Title
Patricia Abrams	Executive Director
Gloria Davenport	Sr. Manager of Finance & Operations

Ragland & Associates, LLC

Names	Title
Gregory Arnold	Managing Partner
Lyle Morris	Partner