

Transitional Housing Corporation And Affiliates

Financial Statements

For The Years Ended
December 31, 2011 and 2010



HERTZBACH
&
COMPANY, P.A.
Certified Public Accountants & Consultants

Transitional Housing Corporation And Affiliates

Table Of Contents

For The Years Ended December 31, 2011 And 2010

Independent Auditor's Report	1-2
Consolidated Financial Statements	
Consolidated Statements Of Financial Position	3-3A
Consolidated Statements Of Activities And Changes In Net Assets	4-5
Consolidated Statements Of Functional Expenses	6-7
Consolidated Statements Of Cash Flows.....	8-8A
Notes To Consolidated Financial Statements	9-16
Supplementary Information	
Consolidating Statement Of Financial Position	17-18A
Consolidating Statement Of Activities And Changes In Net Assets	19-20
Schedule Of Expenditures Of Federal Awards.....	21
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	22-23
Independent Auditor's Report	
On Compliance With Requirements That Could	
Have A Direct And Material Effect On Each Major Program	
And On Internal Control Over Compliance In Accordance	
With OMB Circular A-133.....	24-25
Schedule Of Findings And Questioned Costs	26



H E R T Z B A C H
C O M P A N Y, P.A.
Certified Public Accountants & Consultants

Independent Auditor's Report

**To The Board Of Directors
Transitional Housing Corporation And Affiliates
5101 16th Street, NW
Washington, DC 20011**

We have audited the accompanying consolidated statements of financial position of Transitional Housing Corporation And Affiliates as of December 31, 2011 and 2010, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transitional Housing Corporation And Affiliates as of December 31, 2011 and 2010, and the changes in their net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 6, 2012 on our consideration of Transitional Housing Corporation And Affiliates' 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 the internal control over financial reporting or on

Baltimore

Red Brook Corporate Center
800 Red Brook Boulevard, Suite 300
Owings Mills, Maryland 21117
410.363.3200 | 800.899.3633 | 410.356.0058 fax

Greater Washington, DC

Democracy Plaza
6701 Democracy Boulevard, Suite 300
Bethesda, Maryland 20817
301.214.4010 | 301.564.9619 fax

hertzbach.com

BUILDING RELATIONSHIPS | DELIVERING SUCCESS®

*Members:
American Institute of Certified Public Accountants &
Maryland Association of Certified Public Accountants*

compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying consolidating information (shown on pages 17 to 20) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of activities, changes in net assets, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. We certify that we have met the licensing requirements of the District Of Columbia.

Hertzbach & Company P.A.

Certified Public Accountants

Baltimore, Maryland
July 6, 2012

Name of Audit Firm: Hertzbach & Company, P.A.
Address: Red Brook Corporate Center
800 Red Brook Boulevard, Suite 300
Owings Mills, Maryland 21117
Federal I.D.#: 52-1158459

Jeffrey M. Kleeman, CPA
(Lead Auditor)
(410) 363-3200

**CONSOLIDATED
FINANCIAL
STATEMENTS**

Transitional Housing Corporation And Affiliates
Consolidated Statements Of Financial Position

December 31,	2011	2010
Assets		
CURRENT ASSETS		
Cash	\$ 902,052	\$ 799,859
Grants Receivable	300,670	391,189
Developer Fees Receivable - Current	474,714	224,887
Employee Receivable	-	1,692
Prepaid Expenses	17,047	-
Total Current Assets	<u>1,694,483</u>	<u>1,417,627</u>
PROPERTY AND EQUIPMENT		
Land	85,000	85,000
Buildings And Improvements	1,359,208	1,359,208
Leasehold Improvements	169,259	154,806
Furniture, Fixtures And Equipment	152,263	79,160
Automobile	25,119	25,119
	<u>1,790,849</u>	<u>1,703,293</u>
Less: Accumulated Depreciation	<u>648,478</u>	<u>538,034</u>
Total Property And Equipment	<u>1,142,371</u>	<u>1,165,259</u>
OTHER ASSETS		
Security Deposits Receivable	28,751	23,328
Sponsor Loans Receivable	1,113,670	992,195
Developer Fees Receivable - Long-Term	758,856	644,510
Total Other Assets	<u>1,901,277</u>	<u>1,660,033</u>
TOTAL ASSETS	<u><u>\$ 4,738,131</u></u>	<u><u>\$ 4,242,919</u></u>

See Accompanying Notes To The Consolidated Financial Statements

Transitional Housing Corporation And Affiliates
Consolidated Statements Of Financial Position

December 31,	2011	2010
Liabilities And Net Assets		
CURRENT LIABILITIES		
Accounts Payable And Accrued Expenses	\$ 69,882	\$ 102,920
Line Of Credit	-	14,677
Current Portion Of Long-Term Debt	8,547	4,643
Deposits	6,400	4,580
Total Current Liabilities	84,829	126,820
LONG-TERM LIABILITIES		
Long-Term Debt - Less Current Portion	8,686	1,193
Total Long-Term Liabilities	8,686	1,193
TOTAL LIABILITIES	93,515	128,013
NET ASSETS		
Unrestricted	4,223,927	3,442,688
Temporarily Restricted	420,689	672,218
Total Net Assets	4,644,616	4,114,906
TOTAL LIABILITIES AND NET ASSETS	\$ 4,738,131	\$ 4,242,919

See Accompanying Notes To The Consolidated Financial Statements

Transitional Housing Corporation And Affiliates
Consolidated Statement Of Activities And
Changes In Net Assets

For The Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Government Contracts & Grants	\$ 2,560,903	\$ -	\$ 2,560,903
Corporate/Individual Contributions	267,836	390,885	658,721
In-Kind Donations	58,005	-	58,005
Rental Revenue	21,836	-	21,836
Special Events Revenue	46,445	-	46,445
Investment And Other Income	7,794	-	7,794
Developer Fees	517,902	-	517,902
Reimbursement Revenue	2,265	-	2,265
Net Assets Released From Purpose Related Restrictions	642,414	(642,414)	-
Total Revenue	<u>4,125,400</u>	<u>(251,529)</u>	<u>3,873,871</u>
EXPENSES			
Program Services:			
Resident Services	1,583,659	-	1,583,659
Building Operations	837,520	-	837,520
Affordable Housing	204,002	-	204,002
Outreach	40,772	-	40,772
Total Program Services Expenses	<u>2,665,953</u>	<u>-</u>	<u>2,665,953</u>
Supporting Services:			
Management And General	545,574	-	545,574
Fundraising	132,634	-	132,634
Total Supporting Services Expenses	<u>678,208</u>	<u>-</u>	<u>678,208</u>
Total Expenses	<u>3,344,161</u>	<u>-</u>	<u>3,344,161</u>
Change In Net Assets	781,239	(251,529)	529,710
Net Assets At December 31, 2010	<u>3,442,688</u>	<u>672,218</u>	<u>4,114,906</u>
Net Assets At December 31, 2011	<u>\$ 4,223,927</u>	<u>\$ 420,689</u>	<u>\$ 4,644,616</u>

See Accompanying Notes To The Consolidated Financial Statements

Transitional Housing Corporation And Affiliates
Consolidated Statement Of Activities And
Changes In Net Assets

For The Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Government Contracts & Grants	\$ 3,019,594	\$ 151,047	\$ 3,170,641
Corporate/Individual Contributions	336,316	483,192	819,508
In-Kind Donations	53,265	-	53,265
Rental Revenue	41,227	-	41,227
Special Events Revenue	72,851	-	72,851
Investment And Other Income	27,767	-	27,767
Developer Fees	1,057,085	-	1,057,085
Reimbursement Revenue	183,655	-	183,655
Net Assets Released From Purpose Related Restrictions	409,990	(409,990)	-
Total Revenue	5,201,750	224,249	5,425,999
EXPENSES			
Program Services:			
Resident Services	1,207,912	-	1,207,912
Building Operations	860,114	-	860,114
Affordable Housing	140,296	-	140,296
Outreach	46,076	-	46,076
Total Program Services Expenses	2,254,398	-	2,254,398
Supporting Services:			
Management And General	482,154	-	482,154
Fundraising	113,971	-	113,971
Total Supporting Services Expenses	596,125	-	596,125
Total Expenses	2,850,523	-	2,850,523
Change In Net Assets	2,351,227	224,249	2,575,476
Net Assets At December 31, 2009	1,091,461	447,969	1,539,430
Net Assets At December 31, 2010	\$ 3,442,688	\$ 672,218	\$ 4,114,906

See Accompanying Notes To The Consolidated Financial Statements

Transitional Housing Corporation And Affiliates
Consolidated Statement Of Functional Expenses

For The Year Ended December 31, 2011

	Program Services				Supporting Services			Total Expenses	
	Resident Services	Building Operations	Affordable Housing	Outreach	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 1,134,792	\$ 69,493	\$ 121,593	\$ 37,961	\$ 1,363,839	\$ 259,410	\$ 91,724	\$ 351,134	\$ 1,714,973
Accounting And Legal	-	-	-	-	-	22,000	-	22,000	22,000
Payroll Taxes And Fringe Benefits	84,180	5,235	8,805	2,811	101,031	53,028	5,594	58,622	159,653
Repairs And Maintenance	-	179,849	621	-	180,470	6,705	-	6,705	187,175
Depreciation And Amortization	10,794	123,012	-	-	133,806	-	-	-	133,806
Utilities	-	52,872	-	-	52,872	-	-	-	52,872
Rent	32,285	268,753	-	-	301,038	29,895	-	29,895	330,933
Insurance	166,086	80,956	-	-	247,042	68,219	-	68,219	315,261
Telephone And Internet Access	-	48,603	-	-	48,603	-	-	-	48,603
Supplies	-	5,491	-	-	5,491	15,582	-	15,582	21,073
Enrichment Activities	-	-	-	-	-	8,335	-	8,335	8,335
Taxes, Licenses And Fees	-	3,256	25	-	3,281	-	-	-	3,281
Youth Services	18,316	-	35,932	-	54,248	-	-	-	54,248
Family Services	48,525	-	-	-	48,525	-	-	-	48,525
Miscellaneous	-	-	27,704	-	27,704	5,977	3,270	9,247	36,951
Other Professional Fees	88,681	-	9,300	-	97,981	37,597	-	37,597	135,578
Marketing	-	-	-	-	-	2,363	-	2,363	2,363
Printing And Duplicating	-	-	-	-	-	16,828	-	16,828	16,828
Postage And Shipping	-	-	-	-	-	1,233	-	1,233	1,233
Travel	-	-	22	-	22	12,595	-	12,595	12,617
Membership Dues And Fees	-	-	-	-	-	4,242	-	4,242	4,242
Special Events	-	-	-	-	-	-	32,046	32,046	32,046
Interest	-	-	-	-	-	1,565	-	1,565	1,565
	\$ 1,583,659	\$ 837,520	\$ 204,002	\$ 40,772	\$ 2,665,953	\$ 545,574	\$ 132,634	\$ 678,208	\$ 3,344,161

Transitional Housing Corporation And Affiliates
Consolidated Statement Of Functional Expenses

For The Year Ended December 31, 2010

	Program Services				Supporting Services			Total Expenses	
	Resident Services	Building Operations	Affordable Housing	Outreach	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 861,260	\$ 61,502	\$ 82,952	\$ 42,440	\$ 1,048,154	\$ 262,187	\$ 90,591	\$ 352,778	\$ 1,400,932
Accounting And Legal	-	-	-	-	-	13,459	-	13,459	13,459
Payroll Taxes And Fringe Benefits	67,106	6,341	5,544	3,636	82,627	30,605	4,129	34,734	117,361
Repairs And Maintenance	-	187,448	26,882	-	214,330	7,168	-	7,168	221,498
Depreciation And Amortization	8,272	90,584	-	-	98,856	-	-	-	98,856
Utilities	-	88,414	-	-	88,414	-	-	-	88,414
Rent	-	325,691	-	-	325,691	-	-	-	325,691
Insurance	109,646	43,897	2,970	-	156,513	78,762	-	78,762	235,275
Telephone And Internet Access	-	41,518	-	-	41,518	-	-	-	41,518
Supplies	-	13,198	-	-	13,198	14,624	-	14,624	27,822
Enrichment Activities	-	-	-	-	-	6,228	-	6,228	6,228
Taxes, Licenses And Fees	-	1,521	375	-	1,896	735	-	735	2,631
Youth Services	4,913	-	-	-	4,913	-	-	-	4,913
Family Services	36,703	-	-	-	36,703	-	-	-	36,703
Miscellaneous	-	-	2,082	-	2,082	10,418	-	10,418	12,500
Other Professional Fees	107,962	-	19,491	-	127,453	19,713	74	19,787	147,240
Marketing	-	-	-	-	-	2,334	-	2,334	2,334
Printing And Duplicating	-	-	-	-	-	21,783	-	21,783	21,783
Postage And Shipping	-	-	-	-	-	1,527	-	1,527	1,527
Travel	12,050	-	-	-	12,050	7,549	-	7,549	19,599
Membership Dues And Fees	-	-	-	-	-	3,584	-	3,584	3,584
Special Events	-	-	-	-	-	-	19,177	19,177	19,177
Interest	-	-	-	-	-	1,478	-	1,478	1,478
	<u>\$ 1,207,912</u>	<u>\$ 860,114</u>	<u>\$ 140,296</u>	<u>\$ 46,076</u>	<u>\$ 2,254,398</u>	<u>\$ 482,154</u>	<u>\$ 113,971</u>	<u>\$ 596,125</u>	<u>\$ 2,850,523</u>

Transitional Housing Corporation And Affiliates
Consolidated Statements Of Cash Flows

For The Years Ended December 31,	2011	2010
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change In Net Assets	\$ 529,710	\$ 2,575,476
Adjustments To Reconcile Change In Net Assets To		
Net Cash Provided By Operating Activities		
Depreciation And Amortization	133,806	98,856
Reimbursement Revenue	-	(140,143)
(Increase) Decrease In Operating Assets		
Grants Receivable	90,519	(235,640)
Developer Fees Receivable	(364,173)	(869,397)
Employee Receivable	1,692	(1,692)
Prepaid Expenses	(17,047)	2,400
Security Deposits Receivable	(5,423)	(4,100)
Increase (Decrease) In Operating Liabilities		
Accounts Payable And Accrued Expenses	(33,039)	19,544
Deposits	1,820	(7,239)
Net Cash Provided By Operating Activities	<u>337,865</u>	<u>1,438,065</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition Of Property And Equipment	(110,917)	(70,535)
Increase In Sponsor Loans Receivable	(121,475)	(992,195)
Net Cash Used In Investing Activities	<u>(232,392)</u>	<u>(1,062,730)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change In Line Of Credit	(14,677)	(10,000)
Proceeds From Long-Term Borrowings	13,929	-
Principal Payments On Long-Term Debt	(2,532)	(27,050)
Net Cash Used In Financing Activities	<u>(3,280)</u>	<u>(37,050)</u>
Net Increase In Cash	102,193	338,285
Cash - Beginning Of Year	<u>799,859</u>	<u>461,574</u>
Cash - End Of Year	<u>\$ 902,052</u>	<u>\$ 799,859</u>

See Accompanying Notes To The Consolidated Financial Statements

Transitional Housing Corporation And Affiliates
Consolidated Statements Of Cash Flows
(Continued)

For The Years Ended December 31,	2011	2010
----------------------------------	------	------

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During The Year For:

Interest	<u>\$ 1,565</u>	<u>\$ 82,179</u>
----------	-----------------	------------------

During 2010, all of the acquisition and development costs and related liabilities of Fort Stevens Thirteenth Place Limited Partnership were transferred to a new entity, Fort View, LP in accordance with the terms of the Purchase and Sales Agreement between the entities.

During 2011, equipment with an original cost of \$23,363 and accumulated depreciation of \$23,363 was disposed.

Transitional Housing Corporation And Affiliates

Notes To Consolidated Financial Statements

For The Years Ended December 31, 2011 And 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS – Transitional Housing Corporation (THC) is a 501(c)(3) not-for-profit organization incorporated in February 1990. The mission of THC is to combat homelessness by providing affordable housing and supportive services to the poor and underprivileged families in the District of Columbia while assisting them in developing life skills that enable independent living. THC operates three apartment buildings located in the District of Columbia. Partner Arms I is a 14-unit apartment building located on Kennedy Street in Washington, D.C. Partner Arms II is a 13-unit apartment building located on Georgia Avenue in Washington, D.C. Partner Arms III is a 13-unit apartment building in Ward 7. THC's programs are funded by government and foundation grants, contributions from churches, corporations and individuals, and rental income from tenants.

On June 17, 2005, THC Affordable Housing (THCAH) was incorporated in the District of Columbia as a 501(c)(3) not-for-profit organization. THCAH was formed to develop affordable housing through renovation, new construction or preservation to meet the housing needs of very low, low and moderate income individuals and families in the Washington, D.C. metropolitan area. A majority of the current board of directors of THCAH are also members of the board of THC.

Fort Stevens Thirteenth Place Limited Partnership (FSLP), a for-profit entity, was formed January 19, 2007 to acquire, develop and operate affordable housing for low-income persons and families. On April 14, 2010, the net assets of FSLP were transferred to Fort View, LP, a newly formed affiliate. FSLP was dissolved on December 30, 2010.

Thirteenth Place Affordable Housing, LLC (TPAH), a for-profit entity, was incorporated January 19, 2007. The LLC was formed as the general partner of FSLP. TPAH was dissolved on December 30, 2010.

PRINCIPLES OF CONSOLIDATION – The financial statements of THC and THCAH (collectively, the Corporation) have been presented on a consolidated basis due to the presence of common control between the two entities. All significant transactions and balances between the entities have been eliminated in consolidation.

METHOD OF ACCOUNTING – The Corporation's financial statements are prepared on the accrual method of accounting which recognizes income when it is earned and expenses when they are incurred.

BASIS OF PRESENTATION – The Corporation complies with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*, and is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Due to purpose restrictions, ten of the grants to the Corporation are temporarily restricted as of December 31, 2011 and twelve of the grants to the Corporation were temporarily restricted as of December 31, 2010. All other net assets of the Corporation are unrestricted as of December 31, 2011 and 2010.

Contributions received, if any, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support in the accompanying statements of activities and changes in net assets.

PROPERTY AND EQUIPMENT – Property and equipment are stated at cost. The cost of repairs and maintenance is charged to operations as incurred. Major renewals, betterments and additions are capitalized. When assets are sold or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss is credited or charged to revenue. Depreciation is computed using the straight-line method over 30 years for buildings and 3-7 years for equipment. Leasehold improvements are depreciated over the lesser of the estimated useful life or the remaining life of the lease.

Transitional Housing Corporation And Affiliates

Notes To Consolidated Financial Statements

(Continued)

For The Years Ended December 31, 2011 And 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF LONG-LIVED ASSETS – The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There have been no asset impairments as of December 31, 2011 and 2010.

INCOME TAXES – THC and THCAH are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income as defined in the Code. The corporations did not have any unrelated business income during the years ended December 31, 2011 and 2010. All taxable income or loss of TPAH and FSLP is passed through to the members and partners, respectively. Accordingly, no provision for income taxes has been included in the accompanying consolidated financial statements.

The Corporation has adopted FASB ASC 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes. Based on its evaluation, the Corporation has concluded that there are no significant uncertain tax positions requiring recognition in the consolidated financial statements. No interest or penalties have been recorded as a result of tax uncertainties. The tax years ended December 31, 2008 through December 31, 2011 remain open to examination by tax jurisdictions to which the Corporation is subject.

CASH AND CASH EQUIVALENTS – The Corporation considers all highly liquid investments with a maturity of three months or less at the date of acquisition and money market funds to be cash equivalents. There were no cash equivalents as of December 31, 2011 and 2010.

GRANTS AND CONTRIBUTIONS RECEIVABLE – Grants and contributions receivable are stated at net realizable value. In the opinion of management, all receivables outstanding are considered collectible, based on review of historical collections. Accordingly, an allowance for doubtful accounts has not been recorded.

INVESTMENT IN LIMITED LIABILITY COMPANIES – The investment in investing entities are accounted for under the equity method with the investment stated at cost, adjusted for subsequent contributions and distributions and equity in income and losses recognized by the Companies.

DONATED GOODS AND SERVICES – The Corporation receives donated services, furniture, appliances, and other items from various donors in support of its programs and records these items at their estimated fair value at the date of donation. During 2011 and 2010, the Corporation received in-kind donations of professional services, construction materials, services related to the refurbishing of apartment units and other goods valued at \$58,005 and \$53,265, respectively, which are reported as in-kind donations in the accompanying consolidated statements of activities and changes in net assets. During 2011 and 2010, the Corporation also received approximately 916 and 779 hours of donated services, respectively, from volunteers in support of its programs that do not meet the criteria for recognition under U.S. generally accepted accounting principles.

ESTIMATES – The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION – Contributions are recognized as revenue when an unconditional promise to give is received by the Corporation. All contributions and other types of revenue with restrictions imposed by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Transitional Housing Corporation And Affiliates
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended December 31, 2011 And 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Developer fees are earned in connection with the construction and oversight of the development of residential complexes and are recognized as revenue based on the percentage of completion method as it relates to the completion of the project.

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Corporation and tenants are operating leases.

FUNCTIONAL EXPENSES – The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Estimates may be used in developing allocations of expenses by function.

2. CONCENTRATION OF CREDIT RISK

The Corporation maintains cash accounts at various financial institutions located in the Washington, DC metropolitan area and, at times, balances may exceed federally insured limits. The Corporation has never experienced any losses related to these balances. All of the Corporation's non-interest bearing cash balances were fully insured at December 31, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. At December 31, 2011, interest-bearing amounts on deposit did not exceed the federally insured limits.

3. SPONSOR LOANS RECEIVABLE

On April 14, 2010, THCAH entered into a loan agreement with an affiliate, Fort View, LP. The principal amount of the note is \$713,500, of which \$659,325 was disbursed during the year ended December 31, 2010. On October 1, 2010, an additional promissory note was issued to increase the principal amount of the note by \$28,000 to \$741,500. An additional \$82,000 was disbursed during 2011. Interest accrues at .25% per annum, compounding annually. All unpaid principal and accrued interest are due on April 14, 2045. The outstanding principal and accrued interest balances as of December 31, 2011 and 2010 are \$741,325 and \$2,178 for 2011, and \$659,325 and \$450 for 2010, respectively.

On April 14, 2010, THCAH entered into a loan agreement with an affiliate, Webster Gardens, LP. The principal amount of the note is \$369,000, of which \$332,100 was disbursed during the year ended December 31, 2010. An additional \$36,900 was disbursed during 2011. Interest accrues at .25% per annum, compounding annually. All unpaid principal and accrued interest are due on April 14, 2045. The outstanding principal and accrued interest balances as of December 31, 2011 and 2010 are \$369,000 and \$1,167 for 2011, and \$332,100 and \$320 for 2010, respectively.

Transitional Housing Corporation And Affiliates
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended December 31, 2011 And 2010

4. INVESTMENT IN INVESTING ENTITIES

THCAH acquired a membership interest in the following Investing Entities during 2010, which were formed to invest in Operating Partnerships that acquire, develop, own, and operate low-income residential rental housing projects through an entity that is the general partner of the entity that directly owns the property:

THCAH owns a 45.5% membership interest in WG Partners, LLC which owns a 0.01% general partner interest in Webster Gardens, LP which was formed to acquire, develop, own, and operate a low-income residential rental housing project. While THCAH has economic interest in WG Partners, LLC, it does not have control. Therefore, its operations are not consolidated in the financial statements of the Corporation.

THCAH owns a 49% membership interest in FV Partners, LLC which owns a 0.01% general partner interest in Fort View, LP which was formed to acquire, develop, own, and operate a low-income residential rental housing project. While THCAH has economic interest in FV Partners, LLC, it does not have control. Therefore, its operations are not consolidated in the financial statements of the Corporation.

The summarized combined balance sheets of the Operating Partnerships for which THCAH has an investment through the general partner entity at December 31, 2011 and 2010 and the summarized combined statements of operations for the years then ended are as follows.

COMBINED BALANCE SHEETS

	ASSETS	
	<u>2011</u>	<u>2010</u>
Investment In Real Estate:		
Land And Land Improvements	\$ 2,638,572	\$ 1,104,385
Building And Improvements	26,892,769	13,563,051
Furniture And Equipment	<u>156,014</u>	<u>37,798</u>
	29,687,355	14,705,234
Accumulated Depreciation	<u>(761,536)</u>	<u>(52,035)</u>
	<u>28,925,819</u>	<u>14,653,199</u>
Other Assets:		
Cash	142,483	5,062,273
Accounts Receivable	23,505	5,271
Prepaid Expenses	57,582	28,392
Intangibles	1,142,843	968,863
Due From Related Party	-	5,248
Escrows And Reserves	-	3,376,840
Construction In Process	<u>845,542</u>	<u>6,772,178</u>
	<u>2,211,955</u>	<u>16,219,065</u>
 TOTAL ASSETS	 <u>\$ 31,137,774</u>	 <u>\$ 30,872,264</u>

Transitional Housing Corporation And Affiliates
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended December 31, 2011 And 2010

4. INVESTMENT IN INVESTING ENTITIES (CONTINUED)

LIABILITIES AND PARTNERS' EQUITY

	<u>2011</u>	<u>2010</u>
Liabilities Applicable To Real Estate:		
Accounts Payable – Construction	\$ 131,249	\$ 1,114,946
Mortgage And Bonds Payable	15,100,000	22,054,172
Notes And Loans Payable	<u>11,660,280</u>	<u>3,887,362</u>
	<u>26,891,529</u>	<u>27,056,480</u>
Other Liabilities:		
Accounts Payable	8,779	4,794
Accrued Expenses	51,763	6,227
Tenant Security Deposit	53,601	14,014
Due To Related Party	2,699,251	1,946,069
Other Liabilities	<u>392,450</u>	<u>25,246</u>
	<u>30,097,373</u>	<u>29,052,830</u>
Partners' Equity	<u>1,040,401</u>	<u>1,819,434</u>
TOTAL LIABILITIES AND PARTNERS' EQUITY	<u>\$ 31,137,774</u>	<u>\$ 30,872,264</u>

COMBINED STATEMENTS OF OPERATIONS

Revenue:		
Rents	\$ 878,850	\$ 155,226
Interest	14,406	10,429
Other	<u>65,353</u>	<u>22,851</u>
Total Revenue	<u>958,609</u>	<u>188,506</u>
Expenses:		
Administrative	260,732	76,916
Operating And Maintenance	88,037	2,797
Taxes And Insurance	136,289	6,540
Utilities	36,066	6,943
Depreciation And Amortization	721,434	52,035
Interest	636,068	19,564
Other Expenses	<u>4,333</u>	<u>559</u>
Total Expenses	<u>1,882,959</u>	<u>165,354</u>
NET INCOME (LOSS)	<u>\$ (924,350)</u>	<u>\$ 23,152</u>
THCAH PORTION OF NET INCOME (LOSS)	<u>\$ (44)</u>	<u>\$ 1</u>

Transitional Housing Corporation And Affiliates
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended December 31, 2011 And 2010

5. LONG-TERM DEBT

Notes payable consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Mortgage loan of \$20,000 collateralized by building and land located at 4506 Georgia Avenue (Partner Arms II). Interest accrues at 1% per annum; monthly principal and interest payments are \$175; any remaining principal is due December 31, 2012.	\$ 3,734	\$ 5,836
Mortgage loan of \$13,929 collateralized by building and Land located at 4506 Georgia Avenue (Partner Arms II). Interest accrues at 3.5% per annum; monthly principal and interest payments are \$471; any remaining principal is due July 1, 2014.	<u>13,499</u>	<u>-</u>
	17,233	5,836
Less: Current portion	<u>8,547</u>	<u>4,643</u>
Long-term portion	<u>\$ 8,686</u>	<u>\$ 1,193</u>

Future principal payments required under the loans are as follows for the years ending December 31:

2012	\$	8,547
2013		5,430
2014		<u>3,256</u>
Total	\$	<u>17,233</u>

6. LINE OF CREDIT

THC is obligated under the terms of a line of credit agreement with Wells Fargo Bank, N.A. in the original amount of \$50,000. The line of credit bears interest at prime plus 4.3 percent (7.55 percent) at December 31, 2011 and prime plus 3.15 percent (6.4 percent) at December 31, 2010. Payment of the outstanding principal balance is due on demand. The line of credit agreement was to expire on October 26, 2011 but was extended to expire on October 7, 2012. The principal balance on the line of credit as of December 31, 2011 and 2010 is \$0 and \$14,677, respectively.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31:

	<u>2011</u>	<u>2010</u>
Employment Services	\$ -	\$ 10,000
Youth Empowerment Program	-	15,000
Housing and Services Support	<u>420,689</u>	<u>647,218</u>
	<u>\$ 420,689</u>	<u>\$ 672,218</u>

Transitional Housing Corporation And Affiliates
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended December 31, 2011 And 2010

8. CONCENTRATION OF FUNDING RISK

During 2011, THC received \$1,585,074, approximately 41 percent of its revenue, from the U.S. Department of Housing and Urban Development (HUD) either directly or as a sub-recipient of a pass-through award. THC also received \$911,828, approximately 24 percent of its revenue, from the District of Columbia either directly or as a sub-recipient of a pass-through award. A significant reduction in the level of funding from these sources in the future could significantly affect THC's ability to carry out its current program activities. Management does not consider this a significant risk in the near term.

9. LEASE OBLIGATIONS

THC leases the Partner Arms I apartment building from the District of Columbia under a twenty year, non-cancellable operating lease that expires in January, 2013. The terms of the lease require THC to make annual lease payments of \$8,400 and pay for all required repairs and maintenance. Estimated future minimum lease payments for the years ending December 31 are as follows:

2012		\$	8,400
2013			700
Total		\$	9,100

In addition, THC leases office space under a one-year renewable lease. The lease was renewed in 2011. Rent expense for this office space was \$32,285 and \$29,895 for 2011 and 2010, respectively. THC also incurs storage rent expense which amounted to \$0 and \$2,561 in 2011 and 2010, respectively.

10. RETIREMENT PLAN

THC maintains a tax deferred annuity retirement plan qualified under section 403(b) of the Internal Revenue Code. Eligible employees may contribute to the plan up to the limits established by law. THC makes matching contributions equal to 25 percent of eligible employees' contributions to the plan. For 2011 and 2010, THC incurred expenses of \$5,391 and \$3,594, respectively

11. AFFILIATE TRANSACTIONS

PROJECT ACQUISITION AND REHABILITATION FINANCING – During 2010, two major project transactions occurred. The first relates to the closing of acquisition and rehabilitation financing for 6000 and 6030 13th Place (Fort View, LP) in April of 2010. With this financing, FSLP transferred all of its interests and assigned all of the loans that remained outstanding to Fort View, LP. The financing included the issuance of tax-exempt bonds, low-income housing tax credits and gap financing from several District of Columbia agencies. The second major transaction was the acquisition and closing of rehabilitation financing for 124, 126, 128 and 130 Webster Street, NW (Webster Gardens, LP). The financing included the issuance of tax-exempt bonds, low-income housing tax credits, historic tax credits and gap financing from several District of Columbia Agencies.

SPONSOR LOANS RECEIVABLE – On April 14, 2010, THCAH entered into a loan agreement with an affiliate, Fort View, LP (see Note 3).

On April 14, 2010, THCAH entered into a loan agreement with an affiliate, Webster Gardens, LP (see Note 3).

DEVELOPER FEES – THCAH earns developer fees from affiliated limited partnerships. The amount earned during the year end December 31, 2011 and 2010 was \$517,902 and \$1,057,085, respectively. As of December 31, 2011 and 2010, developer fees receivable totaled \$1,233,570 and \$869,397, respectively.

Transitional Housing Corporation And Affiliates Notes To Consolidated Financial Statements (Continued)

For The Years Ended December 31, 2011 And 2010

11. AFFILIATE TRANSACTIONS (CONTINUED)

GUARANTEES – THCAH is party to a guaranty agreement with the District of Columbia Housing Finance Agency in connection with the bond issuances of Fort View, LP and Webster Gardens, LP. In addition, the co-general partner and other parties are a party to the guaranty agreement. As guarantors, they must 1) guarantee payment of agency fees and expenses, 2) guarantee Fort View, LP's performance of the bankruptcy undertaking in the event of default, 3) guarantee payment of replacement reserve deposits, 4) guarantee the nonrecourse exceptions and 5) guarantee all environmental obligations.

THCAH is party to a separate guaranty agreement with the District of Columbia Housing Finance Agency in connection with the bond issuances of Fort View, LP and Webster Gardens, LP. In addition, the co-general partner and other parties are a party to the guaranty agreement. As guarantors, they must guaranty that if the owner or the general partner of Fort View, LP or Webster Gardens, LP defaults in the payment or performance of the environmental obligations, the guarantor will pay for the environmental obligations.

THC is party to a guaranty agreement with Bank of America, N.A. in connection with the letter of credit agreements of Fort View, LP and Webster Gardens, LP. In addition, the co-general partner and other parties are a party to the guaranty agreement. As guarantors, they must 1) guarantee the completion and cost of completing construction in accordance with the letter of credit documents and project schedule, 2) guarantee payment of all expenses, charges, costs and fees of or relating to construction, including hard costs, soft costs, permitting fees, licensing fees and amounts due under all contracts, 3) guarantee the removal of any mechanic's lien or other lien or encumbrance in connection with the construction, 4) guarantee to make all deposits required under the terms of the letter of credit agreement and 5) guarantee payment of all property assessments and insurance premiums. This guarantee expired on March 31, 2012.

THC and THCAH are a party to a guaranty agreement with the limited partners of Fort View, LP and Webster Gardens, LP in connection with the partnership agreements. In addition, the co-general partner and other parties are a party to the guaranty agreement. As guarantors, they must guaranty to the limited partners the due and punctual performance by the general partners of all of its obligations under the partnership agreements. Such guarantees include, without limitation, operating deficit, development completion and tax credit guarantees. The operating deficit guaranty requires the general partner to contribute funds, when an operating deficit exists after substantial completion, to the partnership through stabilization date. After the stabilization date, operating deficit contributions are limited and terminate under certain conditions. Operating deficit contributions are repayable from cash flow of the partnership. The development completion guaranty requires the general partner to pay for all amounts necessary to complete construction and convert to permanent status in the case that the partnership has insufficient funds. Any required payments are not repayable. The tax credit guaranty requires the general partner to hold 100% the credit units as qualified low-income units during the extended use period.

CROSS INDEMNITY AGREEMENT – THC and THCAH are a party to a cross indemnity agreement with the co-general partner and other parties of Fort View, LP and Webster Gardens LP. The agreement states that the THC entities and the co-general partner entities are each responsible for 50% of any payment required under a guaranty agreement. However, THC is only obligated under the guaranty agreements to which it is a party.

12. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the consolidated statement of financial position date for potential recognition or disclosure through the auditor's report date, the date the consolidated financial statements were available to be issued. There were no events requiring recognition or disclosure in the consolidated financial statements.

**SUPPLEMENTARY
INFORMATION**

Transitional Housing Corporation And Affiliates
Consolidating Statement Of Financial Position

December 31, 2011

	THC	THCAH	Eliminations	Total
CURRENT ASSETS				
Cash	\$ 729,261	\$ 172,791	\$ -	\$ 902,052
Grants Receivable	278,670	22,000	-	300,670
Developer Fees Receivable - Current	-	474,714	-	474,714
Prepaid Expenses	17,047	-	-	17,047
Due From Affiliate	116,147	-	(116,147)	-
Total Current Assets	1,141,125	669,505	(116,147)	1,694,483
PROPERTY AND EQUIPMENT				
Land	85,000	-	-	85,000
Buildings And Improvements	1,359,208	-	-	1,359,208
Leasehold Improvements	169,259	-	-	169,259
Furniture, Fixtures And Equipment	152,263	-	-	152,263
Automobile	25,119	-	-	25,119
	1,790,849	-	-	1,790,849
Less: Accumulated Depreciation	648,478	-	-	648,478
Total Property And Equipment	1,142,371	-	-	1,142,371
OTHER ASSETS				
Security Deposits Receivable	28,751	-	-	28,751
Sponsor Loans Receivable	-	1,113,670	-	1,113,670
Developer Fees Receivable - Long-Term	-	758,856	-	758,856
Total Other Assets	28,751	1,872,526	-	1,901,277
TOTAL ASSETS	\$ 2,312,247	\$ 2,542,031	\$ (116,147)	\$ 4,738,131

Transitional Housing Corporation And Affiliates
Consolidating Statement Of Financial Position

December 31, 2011

	THC	THCAH	Eliminations	Total
CURRENT LIABILITIES				
Accounts Payable And Accrued Expenses	\$ 69,642	\$ 240	\$ -	\$ 69,882
Current Portion Of Long-Term Debt	8,547	-	-	8,547
Deposits	6,400	-	-	6,400
Due To Affiliate	-	116,147	(116,147)	-
Total Current Liabilities	84,589	116,387	(116,147)	84,829
LONG-TERM LIABILITIES				
Long-Term Debt - Less Current Portion	8,686	-	-	8,686
Total Long-Term Liabilities	8,686	-	-	8,686
TOTAL LIABILITIES	93,275	116,387	(116,147)	93,515
NET ASSETS				
Unrestricted	1,834,009	2,389,918	-	4,223,927
Temporarily Restricted	384,963	35,726	-	420,689
Total Net Assets	2,218,972	2,425,644	-	4,644,616
TOTAL LIABILITIES AND NET ASSETS	\$ 2,312,247	\$ 2,542,031	\$ (116,147)	\$ 4,738,131

Transitional Housing Corporation And Affiliates
Consolidating Statement Of Financial Position

December 31, 2010

	THC	THCAH	Eliminations	Total
CURRENT ASSETS				
Cash	\$ 682,182	\$ 117,677	\$ -	\$ 799,859
Grants Receivable	253,168	138,021	-	391,189
Developer Fees Receivable - Current	-	224,887	-	224,887
Employee Receivables	1,692	-	-	1,692
Due From Affiliate	116,147	-	(116,147)	-
Total Current Assets	1,053,189	480,585	(116,147)	1,417,627
PROPERTY AND EQUIPMENT				
Land	85,000	-	-	85,000
Buildings And Improvements	1,359,208	-	-	1,359,208
Leasehold Improvements	154,806	-	-	154,806
Furniture, Fixtures And Equipment	79,160	-	-	79,160
Automobile	25,119	-	-	25,119
	1,703,293	-	-	1,703,293
Less: Accumulated Depreciation	538,034	-	-	538,034
Total Property And Equipment	1,165,259	-	-	1,165,259
OTHER ASSETS				
Security Deposits Receivable	23,328	-	-	23,328
Sponsor Loans Receivable	-	992,195	-	992,195
Developer Fees Receivable - Long-Term	-	644,510	-	644,510
Total Other Assets	23,328	1,636,705	-	1,660,033
TOTAL ASSETS	\$ 2,241,776	\$ 2,117,290	\$ (116,147)	\$ 4,242,919

Transitional Housing Corporation And Affiliates
Consolidating Statement Of Financial Position

December 31, 2010

	THC	THCAH	Eliminations	Total
CURRENT LIABILITIES				
Accounts Payable And Accrued Expenses	\$ 95,041	\$ 7,879	\$ -	\$ 102,920
Line Of Credit	14,677	-	-	14,677
Current Portion Of Long-Term Debt	4,643	-	-	4,643
Deposits	4,580	-	-	4,580
Due To Affiliate	-	116,147	(116,147)	-
Total Current Liabilities	118,941	124,026	(116,147)	126,820
LONG-TERM LIABILITIES				
Long-Term Debt - Less Current Portion	1,193	-	-	1,193
Total Long-Term Liabilities	1,193	-	-	1,193
TOTAL LIABILITIES	120,134	124,026	(116,147)	128,013
NET ASSETS				
Unrestricted	1,621,445	1,821,243	-	3,442,688
Temporarily Restricted	500,197	172,021	-	672,218
Total Net Assets	2,121,642	1,993,264	-	4,114,906
TOTAL LIABILITIES AND NET ASSETS	\$ 2,241,776	\$ 2,117,290	\$ (116,147)	\$ 4,242,919

Transitional Housing Corporation And Affiliates
Consolidating Statement Of Activities And
Changes In Net Assets

For The Year Ended December 31, 2011

	Unrestricted			Temporarily Restricted			Total	Consolidated
	THC	THCAH	Eliminations	Total	THC	THCAH		
REVENUE								
Government Contracts & Grants	\$ 2,496,903	\$ 64,000	\$ -	\$ 2,560,903	\$ -	\$ -	\$ -	\$ 2,560,903
Corporate/Individual Contributions	235,541	32,295	-	267,836	355,160	35,725	390,885	658,721
In-Kind Donations	58,005	-	-	58,005	-	-	-	58,005
Rental Revenue	21,836	-	-	21,836	-	-	-	21,836
Special Events Revenue	46,445	-	-	46,445	-	-	-	46,445
Investment And Other Income	4,937	2,957	-	7,794	-	-	-	7,794
Developer Fees	-	517,902	-	517,902	-	-	-	517,902
Reimbursement Revenue	-	2,265	-	2,265	-	-	-	2,265
Management Fees	195,156	-	(195,156)	-	-	-	-	-
Net Assets Released From Purpose Related Restrictions	470,394	172,020	-	642,414	(470,394)	(172,020)	(642,414)	-
Total Revenue	3,529,217	791,339	(195,156)	4,125,400	(115,234)	(136,295)	(251,529)	3,873,871
EXPENSES								
Program Services:								
Resident Services	1,583,659	195,156	(195,156)	1,583,659	-	-	-	1,583,659
Building Operations	837,520	-	-	837,520	-	-	-	837,520
Affordable Housing Outreach	178,980	25,022	-	204,002	-	-	-	204,002
	40,772	-	-	40,772	-	-	-	40,772
Total Program Services Expenses	2,640,931	220,178	(195,156)	2,665,953	-	-	-	2,665,953
Supporting Services:								
Management And General Fundraising	543,088	2,486	-	545,574	-	-	-	545,574
	132,634	-	-	132,634	-	-	-	132,634
Total Supporting Services Expenses	675,722	2,486	-	678,208	-	-	-	678,208
Total Expenses	3,316,653	222,664	(195,156)	3,344,161	(115,234)	(136,295)	(251,529)	3,344,161
Change In Net Assets	212,564	568,675	-	781,239	(115,234)	(136,295)	(251,529)	529,710
Net Assets At December 31, 2010	1,621,445	1,821,243	-	3,442,688	500,197	172,021	672,218	4,114,906
Net Assets At December 31, 2011	\$ 1,834,009	\$ 2,389,918	\$ -	\$ 4,223,927	\$ 384,963	\$ 35,726	\$ 420,689	\$ 4,644,616

Transitional Housing Corporation And Affiliates
Consolidating Statement Of Activities And
Changes In Net Assets

For The Year Ended December 31, 2010

	Unrestricted			Temporarily Restricted			Total	Consolidated
	THC	THCAH	Eliminations	THC	THCAH	Eliminations		
REVENUE								
Government Contracts & Grants	\$ 2,046,494	\$ 973,100	\$ -	\$ 9,026	\$ 142,021	\$ -	\$ 151,047	\$ 3,170,641
Corporate/Individual Contributions	325,147	11,169	-	453,192	30,000	-	483,192	819,508
In-Kind Donations	53,265	-	-	-	-	-	-	53,265
Rental Revenue	41,227	-	-	-	-	-	-	41,227
Special Events Revenue	72,851	-	-	-	-	-	-	72,851
Investment And Other Income	14,424	13,343	-	-	-	-	-	27,767
Developer Fees	-	1,057,085	-	-	-	-	-	1,057,085
Reimbursement Revenue	-	183,655	-	-	-	-	-	183,655
Management Fees	150,000	-	(150,000)	-	-	-	-	-
Net Assets Released From Purpose Related Restrictions	409,990	-	-	(409,990)	-	-	(409,990)	-
Total Revenue	3,113,398	2,238,352	(150,000)	52,228	172,021	-	224,249	5,425,999
EXPENSES								
Program Services:								
Resident Services	1,207,912	150,000	(150,000)	-	-	-	-	1,207,912
Building Operations	860,114	-	-	-	-	-	-	860,114
Affordable Housing	109,813	30,483	-	-	-	-	-	140,296
Outreach	46,076	-	-	-	-	-	-	46,076
Total Program Services Expenses	2,223,915	180,483	(150,000)	-	-	-	-	2,254,398
Supporting Services:								
Management And General Fundraising	482,154	-	-	-	-	-	-	482,154
	113,971	-	-	-	-	-	-	113,971
Total Supporting Services Expenses	596,125	-	-	-	-	-	-	596,125
Total Expenses	2,820,040	180,483	(150,000)	-	-	-	-	2,850,523
Change In Net Assets	293,358	2,057,869	-	52,228	172,021	-	224,249	2,575,476
Net Assets At December 31, 2009	1,328,087	(236,626)	-	447,969	-	-	447,969	1,539,430
Net Assets At December 31, 2010	\$ 1,621,445	\$ 1,821,243	\$ -	\$ 500,197	\$ 172,021	\$ -	\$ 672,218	\$ 4,114,906

**Transitional Housing Corporation And Affiliates
Schedule Of Expenditures Of Federal Awards**

December 31, 2011

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Direct Awards: ¹		
U.S. Department of Housing and Urban Development Supportive Housing Programs	14.235	
ARRA Expenditures		\$ -
Non-ARRA Expenditures		789,850
Total Expenditures		789,850
Pass Through Awards from the District of Columbia: ²		
U.S. Department of Health and Human Services Temporary Assistance for Needy Families	93.558	
ARRA Expenditures		101,200
Non-ARRA Expenditures		684,999
Total Expenditures		786,199
Total		\$ 1,576,049

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Transitional Housing Corporation And Affiliates under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations." Because the Schedule presents only a selected portion of the operations of Transitional Housing Corporation And Affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Transitional Housing Corporation And Affiliates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

¹ Continuum of Care Homeless Assistance Program – PA I Contract	\$ 127,384
Community Partnership for the Prevention of Homelessness – PA II Contract	143,837
Community Partnership for the Prevention of Homelessness – Housing with Care	371,168
Community Partnership for the Prevention of Homelessness – Homeward FRP	123,545
Community Partnership for the Prevention of Homelessness – Hannah House (VETS)	23,916
	\$ 789,850
² Community Partnership for the Prevention of Homelessness – DHS PA III Contract	\$ 305,597
Community Partnership for the Prevention of Homelessness – DHS STI	336,060
Community Partnership for the Prevention of Homelessness – DHS HPRP	101,200
Community Partnership for the Prevention of Homelessness – Homeward FRP	43,342
	\$ 786,199



H E R T Z B A C H
C O M P A N Y , P . A .
Certified Public Accountants & Consultants

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 Board Of Directors
Transitional Housing Corporation And Affiliates
5101 16th Street, NW
Washington, DC 20011**

We have audited the consolidated financial statements of Transitional Housing Corporation And Affiliates as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 6, 2012. We conducted our audits 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.

Internal Control Over Financial Reporting

Management of Transitional Housing Corporation And Affiliates is responsible for establishing and monitoring effective internal control over financial reporting. In planning and performing our audits, we considered Transitional Housing Corporation And Affiliates' internal control over financial reporting as a basis for designing our auditing procedures 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 Transitional Housing Corporation And Affiliates' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

Baltimore

Red Brook Corporate Center
800 Red Brook Boulevard, Suite 300
Owings Mills, Maryland 21117
410.363.3200 | 800.899.3633 | 410.356.0058 fax

Greater Washington, DC

Democracy Plaza
6701 Democracy Boulevard, Suite 300
Bethesda, Maryland 20817
301.214.4010 | 301.564.9619 fax

hertzbach.com

BUILDING RELATIONSHIPS | DELIVERING SUCCESS®

*Members:
American Institute of Certified Public Accountants &
Maryland Association of Certified Public Accountants*

Transitional Housing Corporation And Affiliates
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
Page Two

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management of Transitional Housing Corporation And Affiliates in a separate letter dated July 6, 2012.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Transitional Housing Corporation And Affiliates' consolidated financial statements are free of 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 audits 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.

This report is intended solely for the information and use of management, the board of directors within the entity and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hertzbach & Company P.A.

Certified Public Accountants

Baltimore, Maryland
July 6, 2012



H E R T Z B A C H
&
C O M P A N Y , P . A .
Certified Public Accountants & Consultants

Independent Auditor's Report

**On Compliance With Requirements That Could Have A Direct And
Material Effect On Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

**To The Board Of Directors
Transitional Housing Corporation And Affiliates
5101 16th Street, NW
Washington, DC 20011**

Compliance

We have audited Transitional Housing Corporation And Affiliates' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. Transitional Housing Corporation And Affiliates' major federal programs are identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Transitional Housing Corporation And Affiliates' management. Our responsibility is to express an opinion on Transitional Housing Corporation And Affiliates' compliance based on our audit.

We conducted our audit 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 OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Transitional Housing Corporation And Affiliates' 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. Our audit does not provide a legal determination on Transitional Housing Corporation And Affiliates' compliance with those requirements.

Baltimore

Red Brook Corporate Center
800 Red Brook Boulevard, Suite 300
Owings Mills, Maryland 21117
410.363.3200 | 800.899.3633 | 410.356.0058 fax

Greater Washington, DC

Democracy Plaza
6701 Democracy Boulevard, Suite 300
Bethesda, Maryland 20817
301.214.4010 | 301.564.9619 fax

hertzbach.com

BUILDING RELATIONSHIPS | DELIVERING SUCCESS®

*Members:
American Institute of Certified Public Accountants &
Maryland Association of Certified Public Accountants*

Transitional Housing Corporation And Affiliates
Independent Auditor's Report
On Compliance With Requirements That Could have A Direct And Material Effect
On Each Major Program And On Internal Control Over Compliance In Accordance
With OMB Circular A-133
Page Two

In our opinion, Transitional Housing Corporation And Affiliates complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of Transitional Housing Corporation And Affiliates is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Transitional Housing Corporation And Affiliates' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 entity'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 type of compliance requirement of a federal 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of directors within the entity and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hertzbach & Company P.A.

Certified Public Accountants

Baltimore, Maryland
July 6, 2012

**Transitional Housing Corporation And Affiliates
Schedule Of Findings And Questioned Costs**

December 31, 2011

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the consolidated financial statements of Transitional Housing Corporation And Affiliates.
2. No significant deficiencies in internal controls were identified during the audit of the consolidated financial statements.
3. No instances of noncompliance material to the consolidated financial statements of Transitional Housing Corporation And Affiliates which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
4. No significant deficiencies in internal controls over major federal award programs were identified during the audit.
5. The auditor's report on compliance for the major federal award programs for Transitional Housing Corporation And Affiliates expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for Transitional Housing Corporation And Affiliates.
7. The program tested as a major program was: DHS Temporary Assistance for Needy Families CFDA# 93.558.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Transitional Housing Corporation And Affiliates was determined to be a low-risk auditee.

FINDINGS – CONSOLIDATED FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS

None