

# Transitional Housing Corporation DBA Housing Up And Affiliate

## Consolidated Financial Statements

For The Years Ended  
December 31, 2016  
And 2015 (As Adjusted And Restated)



**HERTZBACH**  
*certified public accountants • consultants*

# Transitional Housing Corporation DBA Housing Up And Affiliate

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For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)

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**Independent Auditors' Report**

**To The Board Of Directors  
Transitional Housing Corporation DBA Housing Up And Affiliate  
5101 16<sup>th</sup> Street, NW  
Washington, DC 20011**

***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of Transitional Housing Corporation DBA Housing Up And Affiliate, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015 (As Adjusted And Restated), and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 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 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 auditors' 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 organization'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 organization'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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transitional Housing Corporation DBA Housing Up And Affiliate as of December 31, 2016 and 2015 (As Adjusted And Restated), and results of its activities, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating supplementary information shown on pages 23 to 28A is presented for purposes of additional analysis of the consolidated financial statements rather than to present financial positions, results of activities, 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 on pages 29-30, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis, and is also not a required part of the 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 supplementary 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017 on our consideration of Transitional Housing Corporation DBA Housing Up And Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Transitional Housing Corporation DBA Housing Up And Affiliate's internal control over financial reporting and compliance.

***Emphasis Of Matter***

As explained in Note 2 to the consolidated financial statements, in 2016 Transitional Housing Corporation DBA Housing Up And Affiliate adopted Accounting Standards Update number 2015-03, which simplifies the presentation of debt issuance costs. Our opinion is not modified with respect to this matter.

***Correction Of Error***

As discussed in Note 15 to the consolidated financial statements, certain errors resulting in overstatement of amounts previously reported for Property and Equipment as of December 31, 2015, were discovered by management of Transitional Housing Corporation DBA Housing Up And Affiliate during the current year. Accordingly, amounts reported for Property and Equipment have been restated in the 2015 consolidated financial statements now presented and an adjustment has been made to Net Assets as of December 31, 2015, to correct the error. Our opinion is not modified with respect to the matter.

***Hertzbach & Company, P.A.***

Owings Mills, Maryland  
August 29, 2017

Name of Audit Firm: Hertzbach & Company, P.A.  
Address: Red Brook Corporate Center  
800 Red Brook Boulevard, Suite 300  
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**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidated Statements Of Financial Position**

December 31,	2016	2015 (As Adjusted And Restated)
<b>Assets</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,764,406	\$ 1,042,507
Rents Receivable, Net Of Allowance For Doubtful Accounts Of \$16,707 - 2016 And \$0 - 2015	11,654	34,148
Grants Receivable	1,199,248	584,710
Current Portion Of Developer Fees Receivable	20,135	84,681
Resident Services Receivable	24,711	-
Capital Contributions Receivable	106,178	-
Prepaid Insurance	16,854	46,250
Miscellaneous Current Assets	4,793	-
Tenants' Security Deposits	15,161	14,110
<b>Total Current Assets</b>	<b>3,163,140</b>	<b>1,806,406</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	1,085,255	1,085,000
Buildings And Improvements	9,943,881	9,658,909
Land Improvements	271,746	253,465
Leasehold Improvements	1,955,084	1,609,467
Furniture, Fixtures And Equipment	569,424	544,307
Automobile	25,119	25,119
	13,850,509	13,176,267
Less: Accumulated Depreciation	1,503,802	1,094,148
<b>Total Property And Equipment</b>	<b>12,346,707</b>	<b>12,082,119</b>
<b>OTHER ASSETS</b>		
Security Deposit Receivable	61,958	61,958
Rate Lock Deposit	-	41,400
Sponsor Loans Receivable	1,124,773	1,121,997
Developer Fees Receivable - Less Current Portion	609,542	834,865
Project Development Costs	104,789	-
Reserves	146,932	42,694
Escrows	56,672	-
Tax Credit Fees, Net Of Accumulated Amortization Of \$7,054 - 2016 And \$0 - 2015	63,494	70,548
Investment In LLCs	(183)	(288)
<b>Total Other Assets</b>	<b>2,167,977</b>	<b>2,173,174</b>
<b>TOTAL ASSETS</b>	<b>\$ 17,677,824</b>	<b>\$ 16,061,699</b>

See Accompanying Notes To The Consolidated Financial Statements

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidated Statements Of Financial Position**

December 31,	2016	2015 (As Adjusted And Restated)
<b>Liabilities And Net Assets</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable And Accrued Expenses	\$ 282,005	\$ 412,161
Accounts Payable - Construction	-	715,059
Current Portion Of Long-Term Debt	79,380	9,970
Management Fees Payable	5,962	-
Prepaid Rents	2,498	610
Security Deposit Payable	<u>21,719</u>	<u>31,014</u>
Total Current Liabilities	<u>391,564</u>	<u>1,168,814</u>
<b>LONG-TERM LIABILITIES</b>		
Construction Loan Line Of Credit	-	4,890,920
Developer Fee Payable	-	266,744
Deferred Developer Fee Income	367,677	268,061
Long-Term Debt - Less Current Portion And Unamortized Financing Fees Of \$159,102 - 2016 And \$120,645 - 2015	<u>3,634,247</u>	<u>1,271,661</u>
Total Long-Term Liabilities	<u>4,001,924</u>	<u>6,697,386</u>
<b>TOTAL LIABILITIES</b>	<u>4,393,488</u>	<u>7,866,200</u>
<b>NET ASSETS</b>		
Unrestricted		
General Fund	5,201,727	5,135,582
Non-Controlling	<u>6,916,842</u>	<u>2,529,658</u>
Total Unrestricted	12,118,569	7,665,240
Temporarily Restricted	<u>1,165,767</u>	<u>530,259</u>
Total Net Assets	<u>13,284,336</u>	<u>8,195,499</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 17,677,824</u>	<u>\$ 16,061,699</u>

See Accompanying Notes To The Consolidated Financial Statements



**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidated Statement Of Activities And**  
**Changes In Net Assets**

**For The Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE</b>			
Government Contracts & Grants	\$ 3,831,858	\$ -	\$ 3,831,858
Corporate/Individual Contributions	268,579	1,165,767	1,434,346
In-Kind Donations	47,286	-	47,286
Rental Revenue	680,496	-	680,496
Investment And Other Income	19,172	-	19,172
Resident Services Fees	90,343	-	90,343
Developer Fees	426,942	-	426,942
Net Assets Released From Purpose Related Restrictions	530,259	(530,259)	-
<b>Total Revenue</b>	<b>5,894,935</b>	<b>635,508</b>	<b>6,530,443</b>
<b>EXPENSES</b>			
Program Services:			
Resident Services	3,269,867	-	3,269,867
Building Operations	928,142	-	928,142
Affordable Housing	1,002,395	-	1,002,395
<b>Total Program Services Expenses</b>	<b>5,200,404</b>	<b>-</b>	<b>5,200,404</b>
Supporting Services:			
Management And General	641,004	-	641,004
Fundraising	228,703	-	228,703
<b>Total Supporting Services Expenses</b>	<b>869,707</b>	<b>-</b>	<b>869,707</b>
<b>Total Expenses</b>	<b>6,070,111</b>	<b>-</b>	<b>6,070,111</b>
Change In Net Assets	(175,176)	635,508	460,332
Net Assets At December 31, 2015	7,665,240	530,259	8,195,499
Capital Contributions - Non-Controlling	4,628,505	-	4,628,505
Net Assets At December 31, 2016 Before Non-Controlling Interest	12,118,569	1,165,767	13,284,336
Non-Controlling Interest	(6,916,842)	-	(6,916,842)
Net Assets At December 31, 2016 Attributable To Housing Up	<u>\$ 5,201,727</u>	<u>\$ 1,165,767</u>	<u>\$ 6,367,494</u>

See Accompanying Notes To The Consolidated Financial Statements

**Transitional Housing Corporation DBA Housing Up And Affiliate  
Consolidated Statement Of Activities And  
Changes In Net Assets**

**For The Year Ended December 31, 2015 (As Adjusted And Restated)**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE</b>			
Government Contracts & Grants	\$ 3,631,602	\$ -	\$ 3,631,602
Corporate/Individual Contributions	1,460,332	501,309	1,961,641
In-Kind Donations	53,263	-	53,263
Rental Revenue	96,900	-	96,900
Investment And Other Income	22,839	-	22,839
Resident Services Fees	57,266	-	57,266
Developer Fees	142,314	-	142,314
Net Assets Released From Purpose Related Restrictions	672,200	(672,200)	-
<b>Total Revenue</b>	<b>6,136,716</b>	<b>(170,891)</b>	<b>5,965,825</b>
<b>EXPENSES</b>			
Program Services:			
Resident Services	2,949,627	-	2,949,627
Building Operations	820,839	-	820,839
Affordable Housing	394,400	-	394,400
<b>Total Program Services Expenses</b>	<b>4,164,866</b>	<b>-</b>	<b>4,164,866</b>
Supporting Services:			
Management And General	659,377	-	659,377
Fundraising	315,492	-	315,492
<b>Total Supporting Services Expenses</b>	<b>974,869</b>	<b>-</b>	<b>974,869</b>
<b>Total Expenses</b>	<b>5,139,735</b>	<b>-</b>	<b>5,139,735</b>
Change In Net Assets	996,981	(170,891)	826,090
Net Assets At December 31, 2014	5,303,667	701,150	6,004,817
Capital Contributions - Non-Controlling	1,364,592	-	1,364,592
Net Assets At December 31, 2015 Before Non-Controlling Interest	7,665,240	530,259	8,195,499
Non-Controlling Interest	(2,529,658)	-	(2,529,658)
Net Assets At December 31, 2015 Attributable To Housing Up	<u>\$ 5,135,582</u>	<u>\$ 530,259</u>	<u>\$ 5,665,841</u>

See Accompanying Notes To The Consolidated Financial Statements

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidated Statement Of Functional Expenses**

**For The Year Ended December 31, 2016**

	Program Services				Supporting Services		Total Supporting Services	Total Expenses
	Resident Services	Building Operations	Affordable Housing	Total Program Services	Management and General	Fundraising		
Salaries	\$ 2,369,448	\$ 37,546	\$ 147,008	\$ 2,554,002	\$ 148,905	\$ 116,955	\$ 265,860	\$ 2,819,862
Accounting And Legal	-	-	-	-	149,807	-	149,807	149,807
Payroll Taxes And Fringe Benefits	478,386	7,653	36,448	522,487	30,351	25,670	56,021	578,508
Repairs And Maintenance	-	172,312	65,194	237,506	-	-	-	237,506
Depreciation And Amortization	-	161,659	277,109	438,768	-	-	-	438,768
Utilities	60,617	80,613	71,810	213,040	-	-	-	213,040
Rent	102,744	289,413	-	392,157	37,242	-	37,242	429,399
Insurance	36,757	11,206	27,538	75,501	9,530	-	9,530	85,031
Family Services	96,713	-	-	96,713	-	-	-	96,713
Miscellaneous	1,100	430	25,015	26,545	7,161	-	7,161	33,706
Other Professional Fees	60,382	154,548	103,740	318,670	82,550	47,040	129,590	448,260
Bad Debt	-	-	46,927	46,927	-	-	-	46,927
Travel	47,865	-	-	47,865	910	-	910	48,775
Membership Dues And Fees	-	-	-	-	16,803	-	16,803	16,803
Special Events	-	-	-	-	-	32,505	32,505	32,505
Information Technology	-	-	-	-	16,169	-	16,169	16,169
Office Expense	15,855	12,762	45,885	74,502	54,933	6,533	61,466	135,968
Other Taxes And Licenses	-	-	5,750	5,750	-	-	-	5,750
Interest	-	-	149,971	149,971	86,643	-	86,643	236,614
	<u>\$ 3,269,867</u>	<u>\$ 928,142</u>	<u>\$ 1,002,395</u>	<u>\$ 5,200,404</u>	<u>\$ 641,004</u>	<u>\$ 228,703</u>	<u>\$ 869,707</u>	<u>\$ 6,070,111</u>

See Accompanying Notes To The Consolidated Financial Statements

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidated Statement Of Functional Expenses**

**For The Year Ended December 31, 2015 (As Adjusted And Restated)**

	Program Services				Supporting Services		Total Supporting Services	Total Expenses
	Resident Services	Building Operations	Affordable Housing	Total Program Services	Management and General	Fundraising		
Salaries	\$ 2,109,271	\$ 48,705	\$ 107,276	\$ 2,265,252	\$ 177,884	\$ 197,325	\$ 375,209	\$ 2,640,461
Advertising	-	-	20,140	20,140	-	-	-	20,140
Accounting And Legal	-	-	-	-	221,633	-	221,633	221,633
Payroll Taxes And Fringe Benefits	427,621	9,874	22,546	460,041	36,063	42,975	79,038	539,079
Repairs And Maintenance	-	115,179	12,530	127,709	-	-	-	127,709
Depreciation And Amortization	-	79,504	82,887	162,391	-	-	-	162,391
Utilities	65,550	74,939	25,962	166,451	-	-	-	166,451
Rent	97,368	303,704	-	401,072	35,886	-	35,886	436,958
Insurance	31,747	45,206	5,211	82,164	9,273	-	9,273	91,437
Family Services	122,479	-	-	122,479	-	-	-	122,479
Miscellaneous	-	2,796	1,030	3,826	11,827	-	11,827	15,653
Other Professional Fees	59,711	126,909	48,832	235,452	58,526	26,349	84,875	320,327
Bank Charges	-	-	-	-	1,145	-	1,145	1,145
Travel	27,405	-	-	27,405	720	-	720	28,125
Membership Dues And Fees	-	-	-	-	6,394	-	6,394	6,394
Special Events	-	-	-	-	-	45,532	45,532	45,532
Information Technology	-	-	-	-	30,321	-	30,321	30,321
Office Expense	8,475	14,023	17,158	39,656	62,453	3,311	65,764	105,420
Other Taxes And Licenses	-	-	10,998	10,998	-	-	-	10,998
Interest	-	-	39,830	39,830	7,252	-	7,252	47,082
	<u>\$ 2,949,627</u>	<u>\$ 820,839</u>	<u>\$ 394,400</u>	<u>\$ 4,164,866</u>	<u>\$ 659,377</u>	<u>\$ 315,492</u>	<u>\$ 974,869</u>	<u>\$ 5,139,735</u>

See Accompanying Notes To The Consolidated Financial Statements

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidated Statements Of Cash Flows**

For The Years Ended December 31,	2016	2015 (As Adjusted And Restated)
<b>CONSOLIDATED CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change In Net Assets	\$ 116,837	\$ 826,090
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By Operating Activities		
Depreciation And Amortization	431,905	162,391
Gain (Loss) From Investment In Investing Entities	(105)	33
(Increase) Decrease In Operating Assets		
Rents Receivable	22,494	(34,148)
Grants Receivable	(614,538)	(143,429)
Developer Fees Receivable	816,427	(382,666)
Prepaid Insurance	29,396	(39,127)
Resident Services Receivable	(24,711)	32,813
Security Deposits Receivable	(1,051)	(15,759)
Increase (Decrease) In Operating Liabilities		
Accounts Payable And Accrued Expenses	(224,990)	445,851
Prepaid Rent	1,888	610
Deposits	(9,295)	20,117
Deferred Developer Fee Income	(94,876)	268,061
Net Cash Provided By Operating Activities	<u>449,381</u>	<u>1,140,837</u>
<b>CONSOLIDATED CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Construction Costs Paid	(1,426,846)	(1,995,008)
Purchase Of Fixed Assets	(152,477)	(1,482,546)
Increase In Sponsor Loans Receivable	(25,770)	-
(Increase) Decrease In Project Development Costs	(104,789)	82,832
Increase In Intangible Assets	-	(18,120)
Increase In Reserves	(104,238)	(42,694)
Increase In Escrows	(56,672)	-
(Increase) Decrease In Rate Lock Deposit	41,400	(41,400)
Net Cash Used In Investing Activities	<u>(1,829,392)</u>	<u>(3,496,936)</u>
<b>CONSOLIDATED CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital Contributions	4,522,327	1,364,592
Proceeds From Long-Term Debt	2,491,911	1,387,139
Principal Payments On Long-Term Debt	(21,408)	(143,464)
Net Payments On Line Of Credit	(4,890,920)	-
Net Cash Provided By Financing Activities	<u>2,101,910</u>	<u>2,608,267</u>
Net Increase In Cash	721,899	252,168
Cash - Beginning Of Year	<u>1,042,507</u>	<u>790,339</u>
Cash - End Of Year	<u>\$ 1,764,406</u>	<u>\$ 1,042,507</u>

See Accompanying Notes To The Consolidated Financial Statements

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidated Statements Of Cash Flows**  
**(Continued)**

For The Years Ended December 31,	2016	2015 (As Adjusted And Restated)
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During The Year For:

Interest	\$ 339,815	\$ 150,283
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SUPPLEMENTAL DISCLOSURE OF NON CASH

INVESTING AND FINANCING ACTIVITIES:

Increase In Long-Term Debt	-	4,382,262
Increase In Property And Equipment	-	(4,209,189)
Increase In Financing Fees And Tax Credit Fees	-	(173,073)
	\$ -	\$ -

See Accompanying Notes To The Consolidated Financial Statements

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# Transitional Housing Corporation DBA Housing Up And Affiliate

## Notes To Consolidated Financial Statements

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For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)

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### 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF BUSINESS** – Housing Up is a 501(c)(3) not-for-profit organization incorporated in February 1990. The mission of Housing Up 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. Housing Up 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. Housing Up's programs are funded by government and foundation grants, contributions from churches, corporations and individuals, and rental income from tenants. Housing Up was formerly known as Transitional Housing Corporation until June 2, 2016, when they changed their name to Transitional Housing Corporation DBA Housing Up.

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. All of the current board of directors of THCAH are also members of the board of Housing Up.

Partner Arms 4 LLC (PA 4 - also known as Weinberg Commons), formerly a wholly owned subsidiary of THCAH, was formed on January 29, 2013. THCAH purchased 3 buildings in Washington, DC for \$2,275,000, which were transferred to PA4 to be developed as affordable housing. The project has been awarded \$6,890,110 of Low Income Housing Tax Credits. On September 16, 2014, NEF Assignment Corporation (NEF) was admitted as a 99.99% investor member and is responsible for capital contributions of \$7,340,037. As of December 31, 2016 contributions of \$7,233,859 have been received. THCAH remained in the partnership as a 0.01% managing member. The project consists of 36 low income units. The costs of the project are being funded by a \$6,000,000 construction loan from TD Bank, various Sponsor Loans, and capital contributions from NEF.

**PRINCIPLES OF CONSOLIDATION** – The financial statements of Housing Up and THCAH (collectively, the Corporation) have been presented on a consolidated basis due to the presence of common control between the two entities. THCAH is the controlling member of PA4, which is also included in the consolidation. All significant transactions and balances between the entities have been eliminated in consolidation.

**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, twelve of the grants to the Corporation are temporarily restricted as of December 31, 2016 and seven of the grants to the Corporation were temporarily restricted as of December 31, 2015. All other net assets of the Corporation are unrestricted as of December 31, 2016 and 2015.

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 consolidated statements of activities and changes in net assets.

**PROJECT DEVELOPMENT COSTS** – The Corporation capitalizes all direct and indirect costs related to the development of the project, which includes, among others, pre-development costs, constructions costs, and interest. The development costs exclude certain ordinary operating expenses, which are expensed as incurred. THCAH incurred project development costs of \$19,618 and \$0 during the years ended December 31, 2016 and 2015, respectively. Housing Up incurred project development costs of \$85,171 and \$0 during the years ended December 31, 2016 and 2015, respectively.

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# Transitional Housing Corporation DBA Housing Up And Affiliate

## Notes To Consolidated Financial Statements

### (Continued)

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For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)

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#### 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 15 years for land improvements and 5 years for equipment. Leasehold improvements are depreciated over the lesser of the estimated useful life or the remaining life of the lease. Donated or contributed property and equipment is stated at fair market value and in-kind donations revenue is recognized.

AMORTIZATION - Tax credit fees are being amortized to operations over the tax credit compliance period using the straight-line method. The estimated amortization expense related to tax credit fees for each of the next five years is \$7,056.

INTEREST - The Corporation has adopted the FASB ASC Section 835, *Interest*, which states that debt issuance costs related to a note shall be reported on the consolidated statements of financial position as a direct deduction from the face amount of that note, and any amortization of debt issuance costs shall be reported as interest expense. Accordingly, the Corporation is reporting loan fees related to its mortgage payable as a direct deduction from the principal balance of the mortgage, and is reporting amortization of the loan fees as interest expense on the mortgage payable. See Note 6 for more information.

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.

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, 2016 and 2015.

INCOME TAXES – Housing Up 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, 2016 and 2015. Taxable income or losses pass through to, and is reportable by its members for PA4. Accordingly, no provision for income taxes has been included in the accompanying consolidated financial statements.

NON-CONTROLLING INTEREST – This amount represents the positive balance of the investor member’s equity interest in PA4, which is included in the consolidated financial statements. The balance of the investor member’s interest remains in the Corporation’s net assets. Included in net assets at December 31, 2016 and 2015 is the equity in the capital balance of the investor member’s interest of \$6,926,613 and \$2,529,658, respectively.

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, 2016 and 2015.

INVESTMENT IN LIMITED LIABILITY COMPANIES – The investment in investing LLCs 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.



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# Transitional Housing Corporation DBA Housing Up And Affiliate

## Notes To Consolidated Financial Statements

### (Continued)

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For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)

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#### 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2016 and 2015, the Corporation received in-kind donations of professional services, construction materials, services related to the refurbishing of apartment units and other goods valued at \$47,286 and \$53,263, respectively, which are reported as in-kind donations in the accompanying consolidated statements of activities and changes in net assets. During 2016 and 2015, the Corporation also received approximately 1,071 and 2,095 hours of donated services, respectively, from volunteers in support of its programs that do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

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.

Development fees are recognized as earned by the Corporation during the construction period based on the terms of each Development Fee Agreement. Development fees earned from certain affiliated partnerships are deferred in the event that the Corporation is required to fund future obligations. Developer fee receivable, developer fee income and deferred developer fee earned from affiliates and subsidiaries and payable from operational cash flow of the respective projects are eliminated in consolidation.

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.

GRANTS - Housing Up receives its grant and contract support primarily from corporations, foundations, and local/federal organizations. The grants are typically in the form of reimbursable grants to be used to provide support for the homeless. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

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. CHANGE IN ACCOUNTING PRINCIPLE

During 2016, the Corporation affected a change in accounting principle related to Accounting Standard Update (ASU) number 2015-03. ASU 2015-03 updated FASB ASC 835, *Interest*, by simplifying the presentation of debt issuance costs. The Corporation transitioned from reporting financing fees net of amortization as a deferred asset on the consolidated balance sheet, to reporting them as a direct deduction from the related debt. The Corporation also transitioned from reporting amortization of financing fees as amortization expense to reporting it as interest expense. The change in accounting principle was retrospectively applied to the 2015 consolidated financial statements and results in the following adjustments:

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Notes To Consolidated Financial Statements**  
**(Continued)**

**For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)**

**2. CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)**

<u>Financial Statement Line Item</u>	<u>Balance As Previously Reported</u>	<u>Balance As Adjusted</u>
<b>Balance Sheet</b>		
Tax Credit Fees, Net Of Accumulated Amortization	\$ 191,193	\$ 70,548
Long-Term Debt - Less Current Portion	1,392,256	1,271,661

**3. RENTS RECEIVABLE**

Management is of the opinion that all of the Corporation's rents receivable are fully collectible and that no allowance for doubtful accounts is required. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

**4. CONCENTRATION OF CREDIT RISK**

The Corporation maintains cash balances 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. At December 31, 2016 and 2015, cash balances exceeded the insured limits by \$1,154,045 and \$809,122, respectively.

**5. INVESTMENT IN LIMITED LIABILITY COMPANIES**

THCAH acquired a membership interest in the following LLCs 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, 2016 and 2015 and the summarized combined statements of operations for the years then ended are as follows:

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Notes To Consolidated Financial Statements**  
**(Continued)**

**For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)**

**5. INVESTMENT IN LIMITED LIABILITY COMPANIES (CONTINUED)**

COMBINED BALANCE SHEETS

ASSETS

	<u>2016</u>	<u>2015</u>
Investment In Real Estate:		
Land And Land Improvements	\$ 2,667,365	\$ 2,667,365
Building And Improvements	26,892,769	26,892,769
Furniture And Equipment	156,056	156,056
	<u>29,716,190</u>	<u>29,716,190</u>
Accumulated Depreciation	(4,399,688)	(3,690,204)
	<u>25,316,502</u>	<u>26,025,986</u>
Other Assets:		
Cash	185,433	102,061
Accounts Receivable	31,000	49,524
Prepaid Expenses	37,599	38,028
Intangibles	38,817	957,028
Escrows And Reserves	1,596,273	1,591,468
	<u>1,889,122</u>	<u>2,738,109</u>
 TOTAL ASSETS	 <u><u>\$ 27,205,624</u></u>	 <u><u>\$ 28,764,095</u></u>

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Notes To Consolidated Financial Statements**  
**(Continued)**

**For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)**

**5. INVESTMENT IN LIMITED LIABILITY COMPANIES (CONTINUED)**

LIABILITIES AND PARTNERS' EQUITY

	<u>2016</u>	<u>2015</u>
Liabilities Applicable To Real Estate:		
Mortgage And Bonds Payable	\$ 7,271,452	\$ 8,252,342
Notes And Loans Payable	<u>14,565,645</u>	<u>14,565,645</u>
Total Liabilities Applicable To Real Estate	<u>21,837,097</u>	<u>22,817,987</u>
Other Liabilities:		
Accounts Payable And Accrued Expenses	57,551	56,125
Tenant Security Deposit And Other Liabilities	621,449	543,184
Due To Related Party	<u>1,198,762</u>	<u>1,247,988</u>
Total Other Liabilities	<u>1,877,762</u>	<u>1,847,297</u>
Total Liabilities	<u>23,714,859</u>	<u>24,665,284</u>
Partners' Equity	<u>3,490,765</u>	<u>4,098,811</u>
TOTAL LIABILITIES AND PARTNERS' EQUITY	<u>\$ 27,205,624</u>	<u>\$ 28,764,095</u>
THCAH Portion Of Equity	<u>\$ (183)</u>	<u>\$ (288)</u>

COMBINED STATEMENTS OF OPERATIONS

Revenue:		
Rents	\$ 1,669,597	\$ 1,599,987
Interest	2,037	1,075
Other	<u>19,056</u>	<u>17,868</u>
Total Revenue	<u>1,690,690</u>	<u>1,618,930</u>
Expenses:		
Administrative	316,132	319,986
Operating And Maintenance	309,489	283,883
Taxes And Insurance	165,260	163,628
Utilities	112,614	114,442
Depreciation And Amortization	713,483	781,431
Interest	532,103	500,301
Other Expenses	<u>149,655</u>	<u>150,043</u>
Total Expenses	<u>2,298,736</u>	<u>2,313,714</u>

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**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Notes To Consolidated Financial Statements**  
**(Continued)**

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**For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)**

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**5. INVESTMENT IN LIMITED LIABILITY COMPANIES (CONTINUED)**

NET LOSS	<u>\$ (608,046)</u>	<u>\$ (694,784)</u>
THCAH PORTION OF NET LOSS	<u>\$ (29)</u>	<u>\$ (33)</u>

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Notes To Consolidated Financial Statements**  
**(Continued)**

**For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)**

**6. LONG-TERM DEBT**

Notes and mortgages payable consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Mortgage loan of \$27,070 with Cornerstone, Inc. collateralized by building and land located at 4506 Avenue (Partner Arms II). Interest accrues at 3.5% per annum; monthly principal and interest payments are \$862; any remaining principal and accrued interest is due June 30, 2017.	5,117	15,087
Note payable of \$50,000 with Corporation for Supportive Housing (CSH). Does not accrue interest for the first 24 months, 6% thereafter until the maturity date; all remaining principal due July 31, 2019. The note is secured by the Mortgage and Security Agreement, if applicable, and the other Loan Documents.	50,000	-
Mortgage loan of \$715,297 with DHCD collateralized by Partner Arms I. Interest accrues at 3% per annum; annual principal and interest payments are due from 50% of Available Cash Flow (see Footnote 12); any remaining principal and accrued interest is due March 31, 2055.	715,297	652,791
Mortgage loan of \$1,120,000 with LISC collateralized by Partner Arms I. Interest accrues at 7% per annum; any remaining principal and accrued interest is due May 1, 2021.	1,043,753	734,348
Mortgage loan of \$2,070,000 with LISC. Interest accrues at a nominal rate of 6.25% per annum and an effective interest rate of 6.60% per annum; monthly principal and interest payments are \$12,752; any remaining principal and accrued interest is due by July 1, 2046. The loan is secured by a first mortgage deed of trust, security interest and assignment of rents.	2,058,562	-
	<u>3,872,729</u>	<u>1,402,226</u>
Total		
Less: Current portion	<u>79,380</u>	<u>9,970</u>
Long-term portion	<u>\$ 3,793,349</u>	<u>\$ 1,392,256</u>

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Notes To Consolidated Financial Statements**  
**(Continued)**

**For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)**

**6. LONG-TERM DEBT (CONTINUED)**

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

	2017	\$	79,380
	2018		79,432
	2019		84,962
	2020		90,524
	2021		856,119
2022 And Thereafter			<u>2,682,312</u>
	Total	\$	<u>3,872,729</u>

Interest incurred on the notes and mortgages payable for the years ended December 31, 2016 and 2015 was \$165,359 and \$7,252, respectively, including amortizing financing fees of \$3,818 and \$0, respectively. Estimated financing fees being amortized to interest expense for each of the next five years are \$8,529.

**7. LINES OF CREDIT**

BB&T LINE OF CREDIT – Housing Up entered into a \$100,000, unsecured, financing agreement with BB&T on January 28, 2014. The interest rate on this agreement is 3.25% per annum and the line of credit expires in March of 2017 and can be renewed annually. As of December 31, 2016 and 2015, the outstanding balance on the line of credit was \$0.

CONSTRUCTION LOAN LINE OF CREDIT – PA4 entered into a \$6,000,000 financing agreement with TD Bank on September 16, 2014, collateralized by building and land located at 5010 Southern Ave SE and 5066 & 5078 Benning Road SE, to fund supportive housing development activities. The interest rate on this agreement was 3.155% per annum and the line of credit expired on September 16, 2016. As of December 31, 2016 and 2015, the outstanding balance on the line of credit was \$0 and \$4,890,920, respectively. The line of credit was converted into a permanent loan on June 2, 2016. For the years ending December 31, 2016 and 2015, interest of \$95,070 and \$103,201, respectively, was incurred, of which \$0 and \$77,033, respectively, was capitalized.

**8. TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2016</u>	<u>2015</u>
Housing and Services Support	<u>\$ 1,165,767</u>	<u>\$ 530,259</u>

THCAH received grant income of \$250,000 from the Harry and Jeanette Weinberg Foundation, Inc. for both 2015 and 2014 in connection with PA4. The funds were credited to unrestricted net assets; however the contract states that the building cannot be sold for 40 years without consent of the Foundation. Therefore if THCAH violates the contract, the funds would have to be repaid from the proceeds.

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# Transitional Housing Corporation DBA Housing Up And Affiliate

## Notes To Consolidated Financial Statements

### (Continued)

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For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)

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#### 9. CONCENTRATION OF FUNDING RISK

During 2016, Housing Up received \$1,516,431, approximately 22 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 from the District of Columbia. Housing Up also received \$2,397,230, approximately 43 percent of its revenue, directly from the District of Columbia. A significant reduction in the level of funding from these sources in the future could significantly affect Housing Up's ability to carry out its current program activities. Management does not consider this a significant risk in the near term.

#### 10. LEASE OBLIGATIONS

Housing Up leases the Partner Arms I apartment building from the District of Columbia under a twenty year, non-cancellable operating lease that was to expire in January, 2013. The lease term was extended for an additional 40 years through January, 2053. The terms of the lease require Housing Up to make annual lease payments of \$8,400 and pay for all required repairs and maintenance.

Housing Up also leases the second floor of the building located at 4406 Georgia Avenue, N.W. Washington, D.C. under a three year operating lease expiring in October, 2017. The terms of the lease require Housing Up to pay monthly installments of \$8,387, \$8,537, and \$8,708 in the first, second, and third year of the lease term, respectively.

Estimated future minimum lease payments for the years ending December 31 are as follows:

2017	\$	95,480
2018		8,400
2019		8,400
2020		8,400
2021		8,400
Thereafter		<u>268,800</u>
Total	\$	<u>397,880</u>

In addition, Housing Up leases office space at 5101 16<sup>th</sup> Street, N.W. Washington, D.C. under a one-year renewable lease. The lease was renewed in 2016. Rent expense for this office space was \$36,900 and \$35,886 for 2016 and 2015, respectively.

#### 11. RETIREMENT PLAN

Housing Up 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. Housing Up makes matching contributions equal to 20 percent of eligible employees' contributions to the plan. For 2016 and 2015, Housing Up incurred expenses of \$7,193 and \$2,804, respectively.

#### 12. AFFILIATE TRANSACTIONS

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, 2016 and 2015 are \$741,325 and \$9,591 for 2016, and \$741,325 and \$7,738 for 2015, respectively.



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# Transitional Housing Corporation DBA Housing Up And Affiliate

## Notes To Consolidated Financial Statements

### (Continued)

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**For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)**

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#### **12. AFFILIATE TRANSACTIONS (CONTINUED)**

SPONSOR LOANS RECEIVABLE (CONTINUED) – 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, 2016 and 2015 are \$369,000 and \$4,857 for 2016, and \$369,000 and \$3,934 for 2015, respectively.

On September 16, 2014, THCAH entered into a loan agreement with Partner Arms 4 in the original amount of \$1,220,000. Interest begins accruing on the second anniversary of the date of the agreement at 6.5% per annum, compounding annually. All unpaid principal and accrued interest are due on September 16, 2049. The outstanding principal balance as of December 31, 2016 and 2015 are \$1,220,000 and \$1,220,000, respectively, which were eliminated in the consolidation. Interest of \$22,994 was accrued for the year ended December 31, 2016 and was eliminated in the consolidation. No interest was accrued for the year ended December 31, 2015.

DEVELOPER FEES – THCAH earns developer fees from affiliated limited partnerships. The fees are to be paid from capital contributions and any unpaid amounts are payable from net cash flow, as defined in the affiliates' partnership agreements. As of December 31, 2016 and 2015, developer fees receivable totaled \$629,677, and \$919,546, respectively. For the year ended December 31, 2015, THCAH earned developer fees of \$616,694 from PA4. The fee was fully earned as of December 31, 2015. For the years ended December 31, 2016 and 2015, \$379,504 and \$474,380, respectively, was deferred of which \$11,827 and \$206,319, respectively, was eliminated in the consolidation.

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 guarantee 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 guarantee agreement. As guarantors, they must guarantee 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.

Housing Up 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 guarantee agreement. As guarantors, they must guarantee 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 guarantee 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 guarantee 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.

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# Transitional Housing Corporation DBA Housing Up And Affiliate

## Notes To Consolidated Financial Statements

### (Continued)

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For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)

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#### 12. AFFILIATE TRANSACTIONS (CONTINUED)

OPERATING DEFICIT GUARANTY - Pursuant to the Operating Agreement of PA4, the managing member shall be required, upon the reduction of the Operating Reserve Account to zero, to advance funds, to the Company, in the form of noninterest bearing unsecured loans up to \$202,500, to fund all operating deficits that exist beginning with the date on which the Project achieves Stabilized Occupancy and ending on the date on which the Company has achieved a Debt Service Coverage Ratio of 1.15 or better, measured on an annualized basis, for a period of two consecutive years commencing on or after the third anniversary of achievement of Stabilized Occupancy. During 2016 and 2015, no operating deficit loans were required.

INCENTIVE COMPANY MANAGEMENT FEE – PA4 is obligated to pay DC Partners an Incentive Company Management Fee under the terms of the Operating Agreement as an additional fee for managing the affairs of the Company. The fee shall be paid on an annual, non-cumulative basis and is payable from 90% of Cash Flow after the Development Fee and subordinate loans pursuant to Section 5.1.1. As of December 31, 2016 and 2015 no fee has been accrued or paid.

ASSET MANAGEMENT FEE – PA4 is obligated to pay NEF Community Investments, Inc., an affiliate of the Investor Member, an Asset Management Fee under the terms of the Operating Agreement for property management oversight, tax credit compliance monitoring, and related services. The annual fee shall be \$3,600, commencing the month following the month in which Stabilized Occupancy is achieved, but in no even later than January, 2016, to be increased annually by three percent each year thereafter. The fee is payable from Cash Flow pursuant to Section 5.1.1. As of December 31, 2016, \$3,600 has been accrued. As of December 31, 2015, no fee has been accrued or paid.

DEVELOPMENT COMPLETION GUARANTY - Pursuant to the Operating Agreement of PA4, the managing member guarantees that the Project Property will be constructed in a good and workmanlike manner free and clear of all liens and in accordance with the terms, conditions, and provisions of the Construction Loan, Permanent Loan, Subordinate Cash Flows Loans and the Operating Agreement, and the Project will be leased-up in such manner as to allow for closing on the Permanent Loan prior to the maturity of the Construction Loan. The managing member is obligated to provide all funds 1) required of the Company to complete construction of the Project Property, 2) needed for unanticipated or additional development or construction costs, on and off-site escrows, taxes, insurance premiums, interest, funding of Operating Deficits, reserves, escrows, legal expenses, accounting expense until the Project achieves Stabilized Occupancy, and 3) required to pay the difference, if any, between the Permanent Loan received versus the Permanent Loan that is set forth in the Projections.

CROSS INDEMNITY AGREEMENT – Housing Up 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 Housing Up entities and the co-general partner entities are each responsible for 50% of any payment required under a guaranty agreement. However, Housing Up is only obligated under the guaranty agreements to which it is a party.

#### 13. PROPERTY MANAGEMENT FEE

PA4 is obligated under the terms of a property management agreement with Charles Tini & Associates LLC, an unrelated party. The agreement provides for a fee of 5% of gross tenant rent collections. Management fees of \$20,404 and \$203, respectively, were incurred during the years ended December 31, 2016 and 2015. As of December 31, 2016 and 2015, \$1,823 and \$203, respectively, remains payable.

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# Transitional Housing Corporation DBA Housing Up And Affiliate

## Notes To Consolidated Financial Statements

### (Continued)

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**For The Years Ended December 31, 2016 And 2015 (As Adjusted And Restated)**

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#### **14. AVAILABLE CASH FLOW**

Per the DHCD loan agreement dated March 31, 2015, the Organization is required to compute the annual Available Cash Flow relating to the Partner Arms 1 property. Available Cash Flow is defined as the sum of all cash received from ownership or operation of the property, less all cash expenditures, and all expenses unpaid but properly accrued.

The Calculation of Available Cash Flow for the year ended December 31, 2016 is as follows:

Cash Received	\$ 40,187
Cash Expenditures	<u>163,464</u>
Available Cash Flow	<u>\$ (123,277)</u>

#### **15. COMMITMENTS AND CONTINGENCIES**

LOW-INCOME HOUSING TAX CREDITS – Partner Arms 4’s low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, among other requirements, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the limited partner.

CONSTRUCTION CONTRACT – PA4 was obligated under the terms of a Construction Contract with Hamel Builders, Inc., an unrelated party, to construct the Project in the original amount of \$5,043,605. As of December 31, 2016, the entirety of the contract has been completed. The Construction payable balance was paid off during the year ended December 31, 2016. A balance of \$1,302,649 was payable as of December 31, 2015.

#### **16. PRIOR PERIOD ADJUSTMENT**

In 2015, developer fees of \$201,333 were paid from Housing Up to THCAH. This activity should have been eliminated in the consolidation as a decrease to property and equipment and a decrease to developer fee income. This has been restated on the 2015 consolidated statement of financial position and consolidated statement of activities and changes in net assets. The restatement had no effect on change in net assets for 2016.

#### **17. SUBSEQUENT EVENTS**

Management has evaluated events and transactions subsequent to the consolidated statement of financial position date for potential recognition or disclosure through the independent auditors’ report date, the date the consolidated financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements.

**SUPPLEMENTARY  
INFORMATION**

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidating Statement Of Financial Position**

**December 31, 2016**

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing Up	Eliminations	Total
<b>CURRENT ASSETS</b>							
Cash	\$ 903,672	\$ 116,590	\$ -	\$ 1,020,262	\$ 744,144	\$ -	\$ 1,764,406
Rent Receivables, Net Of Allowance For Doubtful Accounts Of \$16,707	-	11,654	-	11,654	-	-	11,654
Grants Receivable	-	-	-	-	1,199,248	-	1,199,248
Developer Fees Receivable - Current	31,962	-	(11,827)	20,135	-	-	20,135
Resident Services Receivable	-	-	-	-	24,711	-	24,711
Capital Contributions Receivable	-	106,178	-	106,178	-	-	106,178
Prepaid Insurance	-	420	-	420	16,434	-	16,854
Miscellaneous Current Assets	-	-	-	-	4,793	-	4,793
Tenants' Security Deposits	-	15,161	-	15,161	-	-	15,161
<b>Total Current Assets</b>	<b>935,634</b>	<b>250,003</b>	<b>(11,827)</b>	<b>1,173,810</b>	<b>1,989,330</b>	<b>-</b>	<b>3,163,140</b>
<b>PROPERTY AND EQUIPMENT</b>							
Land	-	1,000,000	-	1,000,000	85,255	-	1,085,255
Buildings And Improvements	-	8,779,658	(11,827)	8,767,831	1,377,383	(201,333)	9,943,881
Land Improvements	-	271,746	-	271,746	-	-	271,746
Leasehold Improvements	-	-	-	-	1,955,084	-	1,955,084
Furniture, Fixtures And Equipment	-	316,282	-	316,282	253,142	-	569,424
Automobile	-	-	-	-	25,119	-	25,119
	-	10,367,686	(11,827)	10,355,859	3,695,983	(201,333)	13,850,509
Less: Accumulated Depreciation	-	(330,884)	-	(330,884)	(1,189,696)	16,778	(1,503,802)
<b>Total Property And Equipment</b>	<b>-</b>	<b>10,036,802</b>	<b>(11,827)</b>	<b>10,024,975</b>	<b>2,506,287</b>	<b>(184,555)</b>	<b>12,346,707</b>
<b>OTHER ASSETS</b>							
Security Deposit Receivable	-	-	-	-	61,958	-	61,958
Sponsor Loans Receivable	2,367,767	-	(22,994)	2,344,773	-	(1,220,000)	1,124,773
Due From Affiliate	199,055	-	-	199,055	242,849	(441,904)	-
Developer Fees Receivable - Long-Term	609,542	-	-	609,542	-	-	609,542
Tax Credit Fees, Net Of Accumulated Amortization Of \$7,054	-	63,494	-	63,494	-	-	63,494
Reserves	-	146,932	-	146,932	-	-	146,932
Escrows	-	56,672	-	56,672	-	-	56,672
Project Development Costs	19,618	-	-	19,618	85,171	-	104,789
Investment In LLCs	(183)	-	-	(183)	-	-	(183)
<b>Total Other Assets</b>	<b>3,195,799</b>	<b>267,098</b>	<b>(22,994)</b>	<b>3,439,903</b>	<b>389,978</b>	<b>(1,661,904)</b>	<b>2,167,977</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,131,433</b>	<b>\$ 10,553,903</b>	<b>\$ (46,648)</b>	<b>\$ 14,638,688</b>	<b>\$ 4,885,595</b>	<b>\$ (1,846,459)</b>	<b>\$ 17,677,824</b>

See Accompanying Notes To The Consolidated Financial Statements

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidating Statement Of Financial Position**

**December 31, 2016**

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing Up	Eliminations	Total
<b>CURRENT LIABILITIES</b>							
Accounts Payable And Accrued Expenses	\$ -	\$ -	\$ -	\$ -	\$ 282,005	\$ -	\$ 282,005
Current Portion Of Long-Term Debt	-	24,961	-	24,961	54,419	-	79,380
Management Fees Payable	-	5,962	-	5,962	-	-	5,962
Prepaid Rents	-	2,498	-	2,498	-	-	2,498
Security Deposit Payable	-	14,791	-	14,791	6,928	-	21,719
<b>Total Current Liabilities</b>	<b>-</b>	<b>48,212</b>	<b>-</b>	<b>48,212</b>	<b>343,352</b>	<b>-</b>	<b>391,564</b>
<b>LONG-TERM LIABILITIES</b>							
Due To Affiliates	-	441,904	-	441,904	-	(441,904)	-
Developer Fee Payable	-	11,827	(11,827)	-	-	-	-
Sponsor Loan	-	1,220,000	-	1,220,000	-	(1,220,000)	-
Accrued Interest - Sponsor Loan	-	22,994	(22,994)	-	-	-	-
Deferred Developer Fee Income	379,504	-	(11,827)	367,677	-	-	367,677
Long-Term Debt - Less Current Portion, Net Of Unamortized Financing Fees Of \$159,102	-	1,892,166	-	1,892,166	1,742,081	-	3,634,247
<b>Total Long-Term Liabilities</b>	<b>379,504</b>	<b>3,588,891</b>	<b>(46,648)</b>	<b>3,921,747</b>	<b>1,742,081</b>	<b>(1,661,904)</b>	<b>4,001,924</b>
<b>TOTAL LIABILITIES</b>	<b>379,504</b>	<b>3,637,103</b>	<b>(46,648)</b>	<b>3,969,959</b>	<b>2,085,433</b>	<b>(1,661,904)</b>	<b>4,393,488</b>
<b>NET ASSETS</b>							
<b>Unrestricted</b>							
General Fund	3,451,929	(42)	-	3,451,887	1,934,395	(184,555)	5,201,727
Non-Controlling	-	6,916,842	-	6,916,842	-	-	6,916,842
<b>Total Unrestricted</b>	<b>3,451,929</b>	<b>6,916,800</b>	<b>-</b>	<b>10,368,729</b>	<b>1,934,395</b>	<b>(184,555)</b>	<b>12,118,569</b>
Temporarily Restricted	300,000	-	-	300,000	865,767	-	1,165,767
<b>Total Net Assets</b>	<b>3,751,929</b>	<b>6,916,800</b>	<b>-</b>	<b>10,668,729</b>	<b>2,800,162</b>	<b>(184,555)</b>	<b>13,284,336</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,131,433</b>	<b>\$ 10,553,903</b>	<b>\$ (46,648)</b>	<b>\$ 14,638,688</b>	<b>\$ 4,885,595</b>	<b>\$ (1,846,459)</b>	<b>\$ 17,677,824</b>

See Accompanying Notes To The Consolidated Financial Statements

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidating Statement Of Financial Position**

**December 31, 2015 (As Adjusted And Restated)**

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing Up	Eliminations	Total
<b>CURRENT ASSETS</b>							
Cash	\$ 38,815	\$ 13,098	\$ -	\$ 51,913	\$ 990,594	\$ -	\$ 1,042,507
Rent Receivables	-	34,148	-	34,148	-	-	34,148
Grants Receivable	-	-	-	-	584,710	-	584,710
Developer Fees Receivable - Current	84,681	-	-	84,681	-	-	84,681
Prepaid Insurance	-	2,302	-	2,302	43,948	-	46,250
Tenants' Security Deposits	-	14,110	-	14,110	-	-	14,110
<b>Total Current Assets</b>	<b>123,496</b>	<b>63,658</b>	<b>-</b>	<b>187,154</b>	<b>1,619,252</b>	<b>-</b>	<b>1,806,406</b>
<b>PROPERTY AND EQUIPMENT</b>							
Land	-	1,000,000	-	1,000,000	85,000	-	1,085,000
Buildings And Improvements	-	8,779,658	(499,412)	8,280,246	1,378,663	-	9,658,909
Land Improvements	-	271,746	(18,281)	253,465	-	-	253,465
Leasehold Improvements	-	-	-	-	1,810,800	(201,333)	1,609,467
Furniture, Fixtures And Equipment	-	316,282	(20,692)	295,590	248,717	-	544,307
Automobile	-	-	-	-	25,119	-	25,119
	-	10,367,686	(538,385)	9,829,301	3,548,299	(201,333)	13,176,267
Less: Accumulated Depreciation	-	(88,236)	5,349	(82,887)	(1,011,261)	-	(1,094,148)
<b>Total Property And Equipment</b>	<b>-</b>	<b>10,279,450</b>	<b>(533,036)</b>	<b>9,746,414</b>	<b>2,537,038</b>	<b>(201,333)</b>	<b>12,082,119</b>
<b>OTHER ASSETS</b>							
Security Deposits Receivable	-	-	-	-	61,958	-	61,958
Rate Lock Deposit	-	41,400	-	41,400	-	-	41,400
Sponsor Loans Receivable	2,341,997	-	(1,220,000)	1,121,997	-	-	1,121,997
Due From Affiliate	84,346	-	(84,346)	-	433,784	(433,784)	-
Developer Fees Receivable - Long-Term	1,373,250	-	(538,385)	834,865	-	-	834,865
Tax Credit Fees, Net Of Accumulated Amortization Of \$0	-	70,548	-	70,548	-	-	70,548
Reserves	-	42,694	-	42,694	-	-	42,694
Investment In LLCs	(288)	-	-	(288)	-	-	(288)
<b>Total Other Assets</b>	<b>3,799,305</b>	<b>154,642</b>	<b>(1,842,731)</b>	<b>2,111,216</b>	<b>495,742</b>	<b>(433,784)</b>	<b>2,173,174</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,922,801</b>	<b>\$ 10,497,750</b>	<b>\$ (2,375,767)</b>	<b>\$ 12,044,784</b>	<b>\$ 4,652,032</b>	<b>\$ (635,117)</b>	<b>\$ 16,061,699</b>

See Accompanying Notes To The Consolidated Financial Statements

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidating Statement Of Financial Position**

**December 31, 2015 (As Adjusted And Restated)**

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing Up	Eliminations	Total
<b>CURRENT LIABILITIES</b>							
Accounts Payable And Accrued Expenses	\$ -	\$ 30,175	\$ -	\$ 30,175	\$ 381,986	\$ -	\$ 412,161
Accounts Payable - Construction	-	590,708	-	590,708	124,351	-	715,059
Current Portion Of Long-Term Debt	-	-	-	-	9,970	-	9,970
Prepaid Rents	-	610	-	610	-	-	610
Security Deposit Payable	-	14,963	-	14,963	16,051	-	31,014
<b>Total Current Liabilities</b>	<b>-</b>	<b>636,456</b>	<b>-</b>	<b>636,456</b>	<b>532,358</b>	<b>-</b>	<b>1,168,814</b>
<b>LONG-TERM LIABILITIES</b>							
Due To Affiliates	-	518,130	(84,346)	433,784	-	(433,784)	-
Construction Line Of Credit	-	4,890,920	-	4,890,920	-	-	4,890,920
Developer Fee Payable	-	805,129	(538,385)	266,744	-	-	266,744
Sponsor Loan	-	1,220,000	(1,220,000)	-	-	-	-
Deferred Developer Fee Income	474,380	-	(206,319)	268,061	-	-	268,061
Long-Term Debt - Less Current Portion, Net Of Unamortized Financing Fees Of \$120,645	-	(102,525)	-	(102,525)	1,374,186	-	1,271,661
<b>Total Long-Term Liabilities</b>	<b>474,380</b>	<b>7,331,654</b>	<b>(2,049,050)</b>	<b>5,756,984</b>	<b>1,374,186</b>	<b>(433,784)</b>	<b>6,697,386</b>
<b>TOTAL LIABILITIES</b>	<b>474,380</b>	<b>7,968,110</b>	<b>(2,049,050)</b>	<b>6,393,440</b>	<b>1,906,544</b>	<b>(433,784)</b>	<b>7,866,200</b>
<b>NET ASSETS</b>							
Unrestricted							
General Fund	3,448,421	(18)	(326,717)	3,121,686	2,215,229	(201,333)	5,135,582
Non-Controlling	-	2,529,658	-	2,529,658	-	-	2,529,658
<b>Total Unrestricted</b>	<b>3,448,421</b>	<b>2,529,640</b>	<b>(326,717)</b>	<b>5,651,344</b>	<b>2,215,229</b>	<b>(201,333)</b>	<b>7,665,240</b>
Temporarily Restricted	-	-	-	-	530,259	-	530,259
<b>Total Net Assets</b>	<b>3,448,421</b>	<b>2,529,640</b>	<b>(326,717)</b>	<b>5,651,344</b>	<b>2,745,488</b>	<b>(201,333)</b>	<b>8,195,499</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,922,801</b>	<b>\$ 10,497,750</b>	<b>\$ (2,375,767)</b>	<b>\$ 12,044,784</b>	<b>\$ 4,652,032</b>	<b>\$ (635,117)</b>	<b>\$ 16,061,699</b>

See Accompanying Notes To The Consolidated Financial Statements



**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidating Statement Of Activities And**  
**Changes In Net Assets**

**For The Year Ended December 31, 2016**

	Unrestricted						Total - Unrestricted
	THCAH	PA4	Eliminations	Consolidated THCAH	Housing Up	Eliminations	
<b>REVENUE</b>							
Government Contracts & Grants	\$ -	\$ -	\$ -	\$ -	\$ 3,831,858	\$ -	\$ 3,831,858
Corporate/Individual Contributions	10,000	-	-	10,000	258,579	-	268,579
In-Kind Donations	-	-	-	-	47,286	-	47,286
Rental Revenue	-	595,953	-	595,953	84,543	-	680,496
Investment And Other Income	25,756	15,504	(22,994)	18,266	906	-	19,172
Resident Services Fees	-	-	-	-	90,343	-	90,343
Management Fees	-	-	-	-	126,000	(126,000)	-
Developer Fee Income	94,876	-	332,066	426,942	-	-	426,942
Net Assets Released From Purpose Related Restrictions	-	-	-	-	530,259	-	530,259
<b>Total Revenue</b>	<b>130,632</b>	<b>611,457</b>	<b>309,072</b>	<b>1,051,161</b>	<b>4,969,774</b>	<b>(126,000)</b>	<b>5,894,935</b>
<b>EXPENSES</b>							
<b>Program Services:</b>							
Resident Services	-	-	-	-	3,269,867	-	3,269,867
Building Operations	-	-	-	-	944,920	(16,778)	928,142
Affordable Housing	126,000	852,802	(17,645)	961,157	167,238	(126,000)	1,002,395
<b>Total Program Services Expenses</b>	<b>126,000</b>	<b>852,802</b>	<b>(17,645)</b>	<b>961,157</b>	<b>4,382,025</b>	<b>(142,778)</b>	<b>5,200,404</b>
<b>Supporting Services:</b>							
Management And General	1,124	-	-	1,124	639,880	-	641,004
Fundraising	-	-	-	-	228,703	-	228,703
<b>Total Supporting Services Expenses</b>	<b>1,124</b>	<b>-</b>	<b>-</b>	<b>1,124</b>	<b>868,583</b>	<b>-</b>	<b>869,707</b>
<b>Total Expenses</b>	<b>127,124</b>	<b>852,802</b>	<b>(17,645)</b>	<b>962,281</b>	<b>5,250,608</b>	<b>(142,778)</b>	<b>6,070,111</b>
<b>Change In Net Assets</b>	<b>3,508</b>	<b>(241,345)</b>	<b>326,717</b>	<b>88,880</b>	<b>(280,834)</b>	<b>16,778</b>	<b>(175,176)</b>
<b>Net Assets At December 31, 2015</b>							
Before Non-Controlling Interest	3,448,421	2,529,640	(326,717)	5,651,344	2,215,229	(201,333)	7,665,240
Non-Controlling Interest	-	(2,529,658)	-	(2,529,658)	-	-	(2,529,658)
<b>Net Assets At December 31, 2015</b>							
Attributable To Housing Up	3,448,421	(18)	(326,717)	3,121,686	2,215,229	(201,333)	5,135,582
Capital Contributions - Non-Controlling	-	4,628,505	-	4,628,505	-	-	4,628,505
<b>Net Assets At December 31, 2016</b>							
Before Non-Controlling Interest	3,451,929	6,916,800	-	10,368,729	1,934,395	(184,555)	12,118,569
Non-Controlling Interest	-	(6,916,842)	-	(6,916,842)	-	-	(6,916,842)
<b>Net Assets At December 31, 2016</b>							
Attributable To Housing Up	<u>\$ 3,451,929</u>	<u>\$ (42)</u>	<u>\$ -</u>	<u>\$ 3,451,887</u>	<u>\$ 1,934,395</u>	<u>\$ (184,555)</u>	<u>\$ 5,201,727</u>

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidating Statement Of Activities And**  
**Changes In Net Assets**  
**(Continued)**

**For The Year Ended December 31, 2016**

	Temporarily Restricted							Total Consolidated
	THCAH	PA4	Eliminations	Consolidated THCAH	Housing Up	Eliminations	Total - Restricted	
<b>REVENUE</b>								
Government Contracts & Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,831,858
Corporate/Individual Contributions	300,000	-	-	300,000	865,767	-	1,165,767	1,434,346
In-Kind Donations	-	-	-	-	-	-	-	47,286
Rental Revenue	-	-	-	-	-	-	-	680,496
Investment And Other Income	-	-	-	-	-	-	-	19,172
Resident Services Fees	-	-	-	-	-	-	-	90,343
Management Fees	-	-	-	-	-	-	-	-
Developer Fee Income	-	-	-	-	-	-	-	426,942
Net Assets Released From Purpose Related Restrictions	-	-	-	-	(530,259)	-	(530,259)	-
<b>Total Revenue</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>300,000</b>	<b>335,508</b>	<b>-</b>	<b>635,508</b>	<b>6,530,443</b>
<b>EXPENSES</b>								
<b>Program Services:</b>								
Resident Services	-	-	-	-	-	-	-	3,269,867
Building Operations	-	-	-	-	-	-	-	928,142
Affordable Housing	-	-	-	-	-	-	-	1,002,395
<b>Total Program Services Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,200,404</b>
<b>Supporting Services:</b>								
Management And General	-	-	-	-	-	-	-	641,004
Fundraising	-	-	-	-	-	-	-	228,703
<b>Total Supporting Services Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>869,707</b>
<b>Total Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,070,111</b>
<b>Change In Net Assets</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>300,000</b>	<b>335,508</b>	<b>-</b>	<b>635,508</b>	<b>460,332</b>
<b>Net Assets At December 31, 2015</b>								
Before Non-Controlling Interest	-	-	-	-	530,259	-	530,259	8,195,499
Non-Controlling Interest	-	-	-	-	-	-	-	(2,529,658)
<b>Net Assets At December 31, 2015</b>								
Attributable To Housing Up	-	-	-	-	530,259	-	530,259	5,665,841
Capital Contributions - Non-Controlling	-	-	-	-	-	-	-	4,628,505
<b>Net Assets At December 31, 2016</b>								
Before Non-Controlling Interest	300,000	-	-	300,000	865,767	-	1,165,767	13,284,336
Non-Controlling Interest	-	-	-	-	-	-	-	(6,916,842)
<b>Net Assets At December 31, 2016</b>								
Attributable To Housing Up	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 865,767</u>	<u>\$ -</u>	<u>\$ 1,165,767</u>	<u>\$ 6,367,494</u>

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidating Statement Of Activities And**  
**Changes In Net Assets**

**For The Year Ended December 31, 2015 (As Adjusted And Restated)**

	Unrestricted						Total - Unrestricted
	THCAH	PA4	Eliminations	Consolidated THCAH	Housing Up	Eliminations	
<b>REVENUE</b>							
Government Contracts & Grants	\$ -	\$ -	\$ -	\$ -	\$ 3,756,602	\$ (125,000)	\$ 3,631,602
Corporate/Individual Contributions	335,000	-	-	335,000	1,125,332	-	1,460,332
In-Kind Donations	-	-	-	-	53,263	-	53,263
Rental Revenue	-	80,863	-	80,863	16,037	-	96,900
Investment And Other Income	197	-	-	197	22,642	-	22,839
Resident Services Fees	-	-	-	-	57,266	-	57,266
Management Fees	-	-	-	-	284,364	(284,364)	-
Developer Fee Income	343,647	-	-	343,647	-	(201,333)	142,314
Net Assets Released From Purpose Related Restrictions	-	-	-	-	672,200	-	672,200
<b>Total Revenue</b>	<b>678,844</b>	<b>80,863</b>	<b>-</b>	<b>759,707</b>	<b>5,987,706</b>	<b>(610,697)</b>	<b>6,136,716</b>
<b>EXPENSES</b>							
<b>Program Services:</b>							
Resident Services	-	-	-	-	2,949,627	-	2,949,627
Building Operations	-	-	-	-	820,839	-	820,839
Affordable Housing	409,361	262,755	(5,349)	666,767	136,997	(409,364)	394,400
<b>Total Program Services Expenses</b>	<b>409,361</b>	<b>262,755</b>	<b>(5,349)</b>	<b>666,767</b>	<b>3,907,463</b>	<b>(409,364)</b>	<b>4,164,866</b>
<b>Supporting Services:</b>							
Management And General	2,263	-	-	2,263	657,114	-	659,377
Fundraising	-	-	-	-	315,492	-	315,492
<b>Total Supporting Services Expenses</b>	<b>2,263</b>	<b>-</b>	<b>-</b>	<b>2,263</b>	<b>972,606</b>	<b>-</b>	<b>974,869</b>
<b>Total Expenses</b>	<b>411,624</b>	<b>262,755</b>	<b>(5,349)</b>	<b>669,030</b>	<b>4,880,069</b>	<b>(409,364)</b>	<b>5,139,735</b>
<b>Change In Net Assets</b>	<b>267,220</b>	<b>(181,892)</b>	<b>5,349</b>	<b>90,677</b>	<b>1,107,637</b>	<b>(201,333)</b>	<b>996,981</b>
<b>Net Assets At December 31, 2014</b>							
Before Non-Controlling Interest	3,181,201	1,346,940	(332,066)	4,196,075	1,107,592	-	5,303,667
Non-Controlling Interest	-	(1,346,940)	-	(1,346,940)	-	-	(1,346,940)
<b>Net Assets At December 31, 2014</b>							
Attributable To Housing Up	3,181,201	-	(332,066)	2,849,135	1,107,592	-	3,956,727
Capital Contributions - Non-Controlling	-	1,364,592	-	1,364,592	-	-	1,364,592
<b>Net Assets At December 31, 2015</b>							
Before Non-Controlling Interest	3,448,421	2,529,640	(326,717)	5,651,344	2,215,229	(201,333)	7,665,240
Non-Controlling Interest	-	(2,529,658)	-	(2,529,658)	-	-	(2,529,658)
<b>Net Assets At December 31, 2015</b>							
Attributable To Housing Up	<b>\$ 3,448,421</b>	<b>\$ (18)</b>	<b>\$ (326,717)</b>	<b>\$ 3,121,686</b>	<b>\$ 2,215,229</b>	<b>\$ (201,333)</b>	<b>\$ 5,135,582</b>

See Accompanying Notes To The Consolidated Financial Statements

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidating Statement Of Activities And**  
**Changes In Net Assets**  
**(Continued)**

**For The Year Ended December 31, 2015 (As Adjusted And Restated)**

	Temporarily Restricted							Total - Restricted	Total Consolidated
	THCAH	PA4	Eliminations	Consolidated THCAH	Housing Up	Eliminations			
<b>REVENUE</b>									
Government Contracts & Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,631,602
Corporate/Individual Contributions	-	-	-	-	501,309	-	501,309	-	1,961,641
In-Kind Donations	-	-	-	-	-	-	-	-	53,263
Rental Revenue	-	-	-	-	-	-	-	-	96,900
Investment And Other Income	-	-	-	-	-	-	-	-	22,839
Resident Services Fees	-	-	-	-	-	-	-	-	57,266
Management Fees	-	-	-	-	-	-	-	-	-
Developer Fee Income	-	-	-	-	-	-	-	-	142,314
Net Assets Released From Purpose Related Restrictions	-	-	-	-	(672,200)	-	(672,200)	-	-
<b>Total Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(170,891)</b>	<b>-</b>	<b>(170,891)</b>	<b>-</b>	<b>5,965,825</b>
<b>EXPENSES</b>									
<b>Program Services:</b>									
Resident Services	-	-	-	-	-	-	-	-	2,949,627
Building Operations	-	-	-	-	-	-	-	-	820,839
Affordable Housing	-	-	-	-	-	-	-	-	394,400
<b>Total Program Services Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,164,866</b>
<b>Supporting Services:</b>									
Management And General	-	-	-	-	-	-	-	-	659,377
Fundraising	-	-	-	-	-	-	-	-	315,492
<b>Total Supporting Services Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>974,869</b>
<b>Total Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,139,735</b>
<b>Change In Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(170,891)</b>	<b>-</b>	<b>(170,891)</b>	<b>-</b>	<b>826,090</b>
<b>Net Assets At December 31, 2014</b>									
Before Non-Controlling Interest	-	-	-	-	701,150	-	701,150	-	6,004,817
Non-Controlling Interest	-	-	-	-	-	-	-	-	(1,346,940)
<b>Net Assets At December 31, 2014</b>									
Attributable To Housing Up	-	-	-	-	701,150	-	701,150	-	4,657,877
Capital Contributions - Non-Controlling	-	-	-	-	-	-	-	-	1,364,592
<b>Net Assets At December 31, 2015</b>									
Before Non-Controlling Interest	-	-	-	-	530,259	-	530,259	-	8,195,499
Non-Controlling Interest	-	-	-	-	-	-	-	-	(2,529,658)
<b>Net Assets At December 31, 2015</b>									
Attributable To Housing Up	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530,259</u>	<u>\$ -</u>	<u>\$ 530,259</u>	<u>\$ -</u>	<u>\$ 5,665,841</u>

See Accompanying Notes To The Consolidated Financial Statements

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidating Statement Of Cash Flows**

**For The Year Ended December 31, 2016**

	Consolidated						Total
	THCAH	PA4	Eliminations	THCAH	Housing Up	Eliminations	
<b>CONSOLIDATING CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Change In Net Assets	\$ 303,508	\$ (241,345)	\$ -	\$ 62,163	\$ 54,674	\$ -	\$ 116,837
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By (Used In) Operating Activities							
Depreciation And Amortization	-	253,067	-	253,067	178,838	-	431,905
Loss From Investment In LLCs	(105)	-	-	(105)	-	-	(105)
(Increase) Decrease In Operating Assets							
Rents Receivable	-	22,494	-	22,494	-	-	22,494
Grants Receivable	-	-	-	-	(614,538)	-	(614,538)
Developer Fees Receivable	816,427	-	-	816,427	-	-	816,427
Prepaid Insurance	-	1,882	-	1,882	27,514	-	29,396
Resident Services Receivable	-	-	-	-	(24,711)	-	(24,711)
Security Deposits Receivable	-	(1,051)	-	(1,051)	-	-	(1,051)
Increase (Decrease) In Operating Liabilities							
Accounts Payable And Accrued Expenses	-	(658)	-	(658)	(224,332)	-	(224,990)
Prepaid Rent	-	1,888	-	1,888	-	-	1,888
Deposits	-	(172)	-	(172)	(9,123)	-	(9,295)
Deferred Developer Fee Income	(94,876)	-	-	(94,876)	-	-	(94,876)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>1,024,954</b>	<b>36,105</b>	<b>-</b>	<b>1,061,059</b>	<b>(611,678)</b>	<b>-</b>	<b>449,381</b>
<b>CONSOLIDATING CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Construction Costs Paid	-	(1,426,846)	-	(1,426,846)	-	-	(1,426,846)
Purchase Of Fixed Assets	-	-	-	-	(152,477)	-	(152,477)
Increase In Sponsor Loans Receivable	(25,770)	-	-	(25,770)	-	-	(25,770)
Increase In Project Development Costs	(19,618)	-	-	(19,618)	(85,171)	-	(104,789)
Increase In Reserves	-	(104,238)	-	(104,238)	-	-	(104,238)
Increase In Escrows	-	(56,672)	-	(56,672)	-	-	(56,672)
Increase In Rate Lock Deposit	-	41,400	-	41,400	-	-	41,400
(Increase) Decrease In Due From Affiliates	(114,709)	-	-	(114,709)	190,935	(76,226)	-
<b>Net Cash Used In Investing Activities</b>	<b>(160,097)</b>	<b>(1,546,356)</b>	<b>-</b>	<b>(1,706,453)</b>	<b>(46,713)</b>	<b>(76,226)</b>	<b>(1,829,392)</b>
<b>CONSOLIDATING CASH FLOWS FROM FINANCING ACTIVITIES:</b>							
Capital Contributions	-	4,522,327	-	4,522,327	-	-	4,522,327
Proceeds From Long-Term Debt	-	2,070,000	-	2,070,000	421,911	-	2,491,911
Principal Payments On Long-Term Debt	-	(11,438)	-	(11,438)	(9,970)	-	(21,408)
Net Payments On Line Of Credit	-	(4,890,920)	-	(4,890,920)	-	-	(4,890,920)
Increase In Due To Affiliates	-	(76,226)	-	(76,226)	-	76,226	-
<b>Net Cash Provided By Financing Activities</b>	<b>-</b>	<b>1,613,743</b>	<b>-</b>	<b>1,613,743</b>	<b>411,941</b>	<b>76,226</b>	<b>2,101,910</b>
<b>Net Increase (Decrease) In Cash</b>	<b>864,857</b>	<b>103,492</b>	<b>-</b>	<b>968,349</b>	<b>(246,450)</b>	<b>-</b>	<b>721,899</b>
Cash - Beginning Of Year	38,815	13,098	-	51,913	990,594	-	1,042,507
<b>Cash - End Of Year</b>	<b>\$ 903,672</b>	<b>\$ 116,590</b>	<b>\$ -</b>	<b>\$ 1,020,262</b>	<b>\$ 744,144</b>	<b>\$ -</b>	<b>\$ 1,764,406</b>

See Accompanying Notes To The Consolidated Financial Statements

**Transitional Housing Corporation DBA Housing Up And Affiliate**  
**Consolidating Statement Of Cash Flows**  
**(Continued)**

**For The Year Ended December 31, 2016**

				Consolidated			Total
	THCAH	PA4	Eliminations	THCAH	Housing Up	Eliminations	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:							
Cash Paid During The Year For:							
Interest	\$ -	\$ 103,201	\$ -	\$ 103,201	\$ 236,614	\$ -	\$ 339,815

**Transitional Housing Corporation DBA Housing Up And Affiliat  
Consolidating Statement Of Cash Flows**

**For The Year Ended December 31, 2015 (As Adjusted And Restated)**

	THCAH	PA4	Eliminations	Consolidated			Total
	THCAH	PA4	Eliminations	THCAH	Housing Up	Eliminations	Total
<b>CONSOLIDATING CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Change In Net Assets	\$ 267,220	\$ (181,892)	\$ 5,349	\$ 90,677	\$ 936,746	\$ (201,333)	\$ 826,090
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By (Used In) Operating Activities							
Depreciation And Amortization	-	88,236	(5,349)	82,887	79,504	-	162,391
Loss From Investment In LLCs	33	-	-	33	-	-	33
(Increase) Decrease In Operating Assets							
Rents Receivable	-	(34,148)	-	(34,148)	-	-	(34,148)
Grants Receivable	-	-	-	-	(143,429)	-	(143,429)
Developer Fees Receivable	(588,985)	-	206,319	(382,666)	-	-	(382,666)
Prepaid Insurance	-	(2,302)	-	(2,302)	(36,825)	-	(39,127)
Resident Services Receivable	-	-	-	-	32,813	-	32,813
Security Deposits Receivable	-	(14,110)	-	(14,110)	(1,649)	-	(15,759)
Increase (Decrease) In Operating Liabilities							
Accounts Payable And Accrued Expenses	-	30,175	-	30,175	415,676	-	445,851
Prepaid Rent	-	610	-	610	-	-	610
Deposits	-	14,963	-	14,963	5,154	-	20,117
Deferred Developer Fee Income	474,380	-	(206,319)	268,061	-	-	268,061
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>152,648</b>	<b>(98,468)</b>	<b>-</b>	<b>54,180</b>	<b>1,287,990</b>	<b>(201,333)</b>	<b>1,140,837</b>
<b>CONSOLIDATING CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Construction Costs Paid	(44,598)	(1,950,410)	-	(1,995,008)	-	-	(1,995,008)
Purchase Of Fixed Assets	-	-	-	-	(1,683,879)	201,333	(1,482,546)
Increase In Sponsor Loans Receivable	(335,000)	-	335,000	-	-	-	-
Decrease In Project Development Costs	-	-	-	-	82,832	-	82,832
Increase In Intangible Assets	-	-	-	-	(18,120)	-	(18,120)
Increase In Reserves	-	(42,694)	-	(42,694)	-	-	(42,694)
Increase In Rate Lock Deposit	-	(41,400)	-	(41,400)	-	-	(41,400)
(Increase) Decrease In Due From Affiliates	81,740	-	(81,740)	-	(433,784)	433,784	-
<b>Net Cash Used In Investing Activities</b>	<b>(297,858)</b>	<b>(2,034,504)</b>	<b>253,260</b>	<b>(2,079,102)</b>	<b>(2,052,951)</b>	<b>635,117</b>	<b>(3,496,936)</b>
<b>CONSOLIDATING CASH FLOWS FROM FINANCING ACTIVITIES:</b>							
Capital Contributions	-	1,364,592	-	1,364,592	-	-	1,364,592
Sponsor Loans Proceeds	-	335,000	(335,000)	-	-	-	-
Proceeds On Long-Term Debt	-	-	-	-	1,387,139	-	1,387,139
Principal Payments on Long-Term Debt	-	-	-	-	(143,464)	-	(143,464)
Increase In Due To Affiliates	-	446,430	81,740	528,170	(94,386)	(433,784)	-
<b>Net Cash Provided By Financing Activities</b>	<b>-</b>	<b>2,146,022</b>	<b>(253,260)</b>	<b>1,892,762</b>	<b>1,149,289</b>	<b>(433,784)</b>	<b>2,608,267</b>
<b>Net Increase In Cash</b>	<b>(145,210)</b>	<b>13,050</b>	<b>-</b>	<b>(132,160)</b>	<b>384,328</b>	<b>-</b>	<b>252,168</b>
Cash - Beginning Of Year	184,025	48	-	184,073	606,266	-	790,339
<b>Cash - End Of Year</b>	<b>\$ 38,815</b>	<b>\$ 13,098</b>	<b>\$ -</b>	<b>\$ 51,913</b>	<b>\$ 990,594</b>	<b>\$ -</b>	<b>\$ 1,042,507</b>

See Accompanying Notes To The Consolidated Financial Statements

**Transitional Housing Corporation DBA Housing Up And Affiliat**  
**Consolidating Statement Of Cash Flows**  
**(Continued)**

**For The Year Ended December 31, 2015 (As Adjusted And Restated)**

	THCAH	PA4	Eliminations	Consolidated			Total
				THCAH	Housing Up	Eliminations	
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>							
Cash Paid During The Year For:							
Interest	\$ -	\$ 103,201	\$ -	\$ 103,201	\$ 47,082	\$ -	\$ 150,283
<b>SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING AND FINANCING ACTIVITIES:</b>							
Increase In Long-Term Debt	-	4,382,262	-	4,382,262	-	-	4,382,262
Increase In Property And Equipment	-	(4,209,189)	-	(4,209,189)	-	-	(4,209,189)
Increase In Financing Fees And Tax Credit Fees	-	(173,073)	-	(173,073)	-	-	(173,073)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**Transitional Housing Corporation DBA Housing Up And Affiliate  
Schedule Of Expenditures Of Federal Awards**

**December 31, 2016**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Direct Awards:		
U.S. Department of Housing and Urban Development Supportive Housing Programs <sup>1</sup>	14.235	
ARRA Expenditures		\$ -
Non-ARRA Expenditures		808,940
Total Expenditures		808,940
Pass Through Awards from the District of Columbia:		
U.S. Department of Health and Human Services Temporary Assistance for Needy Families <sup>2</sup>	93.558	
ARRA Expenditures		\$ -
Non-ARRA Expenditures		1,518,702
Total Expenditures		1,518,702
Total		\$ 2,327,642

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Transitional Housing Corporation DBA Housing Up And Affiliate under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Transitional Housing Corporation DBA Housing Up And Affiliate, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Transitional Housing Corporation DBA Housing Up And Affiliate.

**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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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## Transitional Housing Corporation DBA Housing Up And Affiliate Schedule Of Expenditures Of Federal Awards (Continued)

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**December 31, 2016**

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<sup>1</sup> Continuum of Care Homeless Assistance Program – PA I Contract	\$ 148,936
Community Partnership for the Prevention of Homelessness – PA II Contract	67,020
Community Partnership for the Prevention of Homelessness – Housing with Care	407,124
Community Partnership for the Prevention of Homelessness – Homeward FRP	185,860
	<hr/>
	\$ 808,940
<sup>2</sup> Community Partnership for the Prevention of Homelessness – DHS PA III Contract	\$ 552,091
Community Partnership for the Prevention of Homelessness – DHS FRSP	893,064
Community Partnership for the Prevention of Homelessness – Homeward FRP	73,547
	<hr/>
	\$ 1,518,702

**Independent Auditors' 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 DBA Housing Up And Affiliate**  
5101 16<sup>th</sup> Street, NW  
Washington, DC 20011

We have audited, 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, the consolidated financial statements of Transitional Housing Corporation DBA Housing Up And Affiliate, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated August 29, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the consolidated financial statements, we considered Transitional Housing Corporation DBA Housing Up And Affiliate'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 opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Transitional Housing Corporation DBA Housing Up And Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transitional Housing Corporation DBA Housing Up And Affiliate'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

Transitional Housing Corporation DBA Housing Up And Affiliate  
Independent Auditors' Report  
On Internal Control Over Financial Reporting And On Compliance  
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Performed In Accordance With *Government Auditing Standards*  
Page Two

deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Transitional Housing Corporation DBA Housing Up And Affiliate'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. 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 Transitional Housing Corporation DBA Housing Up And Affiliate's 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 material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***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 Transitional Housing Corporation DBA Housing Up And Affiliate's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Transitional Housing Corporation DBA Housing Up And Affiliate's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hertzbach & Company, P.A.*

Owings Mills, Maryland  
August 29, 2017

**Independent Auditors' Report**

**On Compliance For Each Major Program And On Internal Control**

**Over Compliance Required By The Uniform Guidance**

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

***Report on Compliance for Each Major Program***

We have audited Transitional Housing Corporation DBA Housing Up And Affiliate's compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of Transitional Housing Corporation DBA Housing Up And Affiliate's major federal programs for the year ended December 31, 2016. Transitional Housing Corporation DBA Housing Up And Affiliate's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Transitional Housing Corporation DBA Housing Up And Affiliate's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that

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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 DBA Housing Up And Affiliate's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major federal program. However, our audit does not provide a legal determination of Transitional Housing Corporation DBA Housing Up And Affiliate's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Transitional Housing Corporation DBA Housing Up And Affiliate 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, 2016.

***Report on Internal Control Over Compliance***

Management of Transitional Housing Corporation DBA Housing Up And Affiliate is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Transitional Housing Corporation DBA Housing Up And Affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Transitional Housing Corporation DBA Housing Up And Affiliate's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirements 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance.

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

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

*Hertzbach & Company, P.A.*

Owings Mills, Maryland  
August 29, 2017

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## Transitional Housing Corporation DBA Housing Up And Affiliate Schedule Of Findings And Questioned Costs

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**For The Year Ended December 31, 2016**

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### SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of Transitional Housing Corporation DBA Housing Up And Affiliate.
2. No significant deficiencies in internal control 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 DBA Housing Up And Affiliate which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal controls over major federal award programs were identified during the audit.
5. The auditors' report on compliance for the major federal award programs for Transitional Housing Corporation DBA Housing Up And Affiliate expresses an unmodified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for Transitional Housing Corporation DBA Housing Up And Affiliate.
7. The program tested as a major program was: Supportive Housing Program #93.558.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Transitional Housing Corporation DBA Housing Up And Affiliate was determined to be a low-risk auditee.

### FINDINGS – CONSOLIDATED FINANCIAL STATEMENT AUDIT

None

### FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS

None