

Transitional Housing Corporation And Affiliate

Consolidated Financial Statements

For The Years Ended
December 31, 2014 And 2013



HERTZBACH
certified public accountants · consultants

Transitional Housing Corporation And Affiliate

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Transitional Housing Corporation And Affiliate, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, 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 And Affiliate as of December 31, 2014 and 2013, 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.

Report on Supplementary 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 21 to 26 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 27-28 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Government, and Non-Profit Organizations* and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 September 23, 2015 on our consideration of Transitional Housing Corporation 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 And Affiliate's internal control over financial reporting and compliance.

Hertzbach & Company P.A.

Owings Mills, Maryland
September 23, 2015

Name of Audit Firm: Hertzbach & Company, P.A.

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**CONSOLIDATED
FINANCIAL
STATEMENTS**

Transitional Housing Corporation And Affiliate
Consolidated Statements Of Financial Position

December 31,	2014	2013
Assets		
CURRENT ASSETS		
Cash	\$ 790,339	\$ 1,181,361
Grants Receivable	441,281	442,002
Current Portion Of Developer Fees Receivable	1,855	46,073
Resident Services Receivable	32,813	19,230
Prepaid Insurance	7,123	-
	<u>1,273,411</u>	<u>1,688,666</u>
Total Current Assets		
PROPERTY AND EQUIPMENT		
Land	1,085,000	1,085,000
Buildings And Improvements	2,652,383	2,652,383
Leasehold Improvements	194,471	194,471
Furniture, Fixtures And Equipment	182,447	182,447
Automobile	25,119	25,119
	<u>4,139,420</u>	<u>4,139,420</u>
Less: Accumulated Depreciation	931,807	857,051
	<u>3,207,613</u>	<u>3,282,369</u>
Total Property And Equipment		
OTHER ASSETS		
Security Deposits Receivable	60,309	61,208
Sponsor Loans Receivable	1,121,997	1,119,221
Developer Fees Receivable - Less Current Portion	678,656	680,512
Project Development Costs	82,832	437,958
Construction In Progress	1,601,021	-
Investment In Investing Entities	(255)	-
	<u>3,544,560</u>	<u>2,298,899</u>
Total Other Assets		
TOTAL ASSETS	<u><u>\$ 8,025,584</u></u>	<u><u>\$ 7,269,934</u></u>

See Accompanying Notes To The Consolidated Financial Statements

Transitional Housing Corporation And Affiliate
Consolidated Statements Of Financial Position

December 31,	2014	2013
Liabilities And Net Assets		
CURRENT LIABILITIES		
Accounts Payable And Accrued Expenses	\$ 90,661	\$ 119,208
Accounts Payable - Construction	285,917	-
Current Portion Of Long-Term Debt	44,628	2,604,364
Deposits	10,897	7,254
	<u>432,103</u>	<u>2,730,826</u>
LONG-TERM LIABILITIES		
Line Of Credit	98,836	-
Construction Loan Line Of Credit	1,474,741	-
Long-Term Debt - Less Current Portion	15,087	31,914
	<u>1,588,664</u>	<u>31,914</u>
TOTAL LIABILITIES	<u>2,020,767</u>	<u>2,762,740</u>
NET ASSETS		
Unrestricted		
General Fund	3,956,727	3,595,844
Non-Controlling	1,346,940	-
	<u>5,303,667</u>	<u>3,595,844</u>
Temporarily Restricted	701,150	911,350
	<u>6,004,817</u>	<u>4,507,194</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,025,584</u>	<u>\$ 7,269,934</u>

See Accompanying Notes To The Consolidated Financial Statements

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

For The Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Government Contracts & Grants	\$ 3,149,875	\$ -	\$ 3,149,875
Corporate/Individual Contributions	1,450,680	701,150	2,151,830
In-Kind Donations	49,526	-	49,526
Rental Revenue	19,046	-	19,046
Investment And Other Income	28,277	-	28,277
Resident Services Fees	70,215	-	70,215
Net Assets Released From Purpose Related Restrictions	911,350	(911,350)	-
Total Revenue	5,678,969	(210,200)	5,468,769
EXPENSES			
Program Services:			
Resident Services	3,134,134	-	3,134,134
Building Operations	932,685	-	932,685
Affordable Housing	214,561	-	214,561
Outreach	-	-	-
Total Program Services Expenses	4,281,380	-	4,281,380
Supporting Services:			
Management And General	660,561	-	660,561
Fundraising	376,145	-	376,145
Total Supporting Services Expenses	1,036,706	-	1,036,706
Total Expenses	5,318,086	-	5,318,086
Change In Net Assets	360,883	(210,200)	150,683
Net Assets At December 31, 2013	3,595,844	911,350	4,507,194
Capital Contributions	1,346,940	-	1,346,940
Net Assets At December 31, 2014 Before Non-Controlling Interest	5,303,667	701,150	6,004,817
Non-Controlling Interest	(1,346,940)	-	(1,346,940)
Net Assets At December 31, 2014 Attributable To THC	\$ 3,956,727	\$ 701,150	\$ 4,657,877

See Accompanying Notes To The Consolidated Financial Statements

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

For The Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Government Contracts & Grants	\$ 3,025,773	\$ -	\$ 3,025,773
Corporate/Individual Contributions	502,947	849,599	1,352,546
In-Kind Donations	55,549	-	55,549
Rental Revenue	35,621	-	35,621
Investment And Other Income	63,482	-	63,482
Resident Services Fees	73,612	-	73,612
Net Assets Released From Purpose Related Restrictions	912,245	(912,245)	-
Total Revenue	4,669,229	(62,646)	4,606,583
EXPENSES			
Program Services:			
Resident Services	3,005,554	-	3,005,554
Building Operations	833,956	-	833,956
Affordable Housing	179,775	-	179,775
Outreach	95,535	-	95,535
Total Program Services Expenses	4,114,820	-	4,114,820
Supporting Services:			
Management And General	728,014	-	728,014
Fundraising	252,460	-	252,460
Total Supporting Services Expenses	980,474	-	980,474
Total Expenses	5,095,294	-	5,095,294
Change In Net Assets	(426,065)	(62,646)	(488,711)
Net Assets At December 31, 2012	4,021,909	973,996	4,995,905
Net Assets At December 31, 2013	\$ 3,595,844	\$ 911,350	\$ 4,507,194

See Accompanying Notes To The Consolidated Financial Statements

Transitional Housing Corporation And Affiliate
Consolidated Statement Of Functional Expenses

For The Year Ended December 31, 2014

	Program Services				Supporting Services			Total Expenses	
	Resident Services	Building Operations	Affordable Housing	Outreach	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 2,188,390	\$ 51,983	\$ 169,928	\$ -	\$ 2,410,301	\$ 310,196	\$ 227,042	\$ 537,238	\$ 2,947,539
Accounting And Legal	-	-	-	-	-	119,667	-	119,667	119,667
Payroll Taxes And Fringe Benefits	549,315	13,048	42,654	-	605,017	82,816	56,990	139,806	744,823
Repairs And Maintenance	-	306,416	-	-	306,416	19,705	-	19,705	326,121
Depreciation And Amortization	-	74,756	-	-	74,756	-	-	-	74,756
Utilities	60,156	87,821	-	-	147,977	-	-	-	147,977
Rent	107,871	307,156	-	-	415,027	32,170	-	32,170	447,197
Insurance	-	91,505	-	-	91,505	-	-	-	91,505
Supplies	-	-	-	-	-	22,875	2,131	25,006	25,006
Enrichment Activities	22,004	-	-	-	22,004	1,015	-	1,015	23,019
Abandoned Project Costs	65,996	-	-	-	65,996	-	-	-	65,996
Family Services	83,599	-	-	-	83,599	-	-	-	83,599
Loss From Investment In Investing Entities	-	-	55	-	55	-	-	-	55
Miscellaneous	-	-	1,924	-	1,924	62,227	-	62,227	64,151
Other Professional Fees	25,621	-	-	-	25,621	-	31,852	31,852	57,473
Printing And Duplicating	-	-	-	-	-	6,952	-	6,952	6,952
Bank Charges	-	-	-	-	-	1,074	-	1,074	1,074
Travel	31,182	-	-	-	31,182	-	-	-	31,182
Membership Dues And Fees	-	-	-	-	-	736	-	736	736
Special Events	-	-	-	-	-	-	58,130	58,130	58,130
Interest	-	-	-	-	-	1,128	-	1,128	1,128
	<u>\$ 3,134,134</u>	<u>\$ 932,685</u>	<u>\$ 214,561</u>	<u>\$ -</u>	<u>\$ 4,281,380</u>	<u>\$ 660,561</u>	<u>\$ 376,145</u>	<u>\$ 1,036,706</u>	<u>\$ 5,318,086</u>

Transitional Housing Corporation And Affiliate
Consolidated Statement Of Functional Expenses

For The Year Ended December 31, 2013

	Program Services				Supporting Services			Total Expenses	
	Resident Services	Building Operations	Affordable Housing	Outreach	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 2,152,757	\$ 74,260	\$ 121,539	\$ 83,519	\$ 2,432,075	\$ 396,141	\$ 125,103	\$ 521,244	\$ 2,953,319
Accounting And Legal	-	-	-	-	-	30,468	-	30,468	30,468
Payroll Taxes And Fringe Benefits	160,545	4,490	8,924	8,407	182,366	73,783	20,101	93,884	276,250
Repairs And Maintenance	-	219,963	-	-	219,963	19,630	-	19,630	239,593
Depreciation And Amortization	-	88,882	-	-	88,882	-	-	-	88,882
Utilities	-	61,962	-	-	61,962	-	-	-	61,962
Rent	160,054	296,276	-	-	456,330	51,802	-	51,802	508,132
Insurance	286,283	68,642	14,288	-	369,213	67,246	-	67,246	436,459
Telephone And Internet Access	-	19,481	-	-	19,481	-	-	-	19,481
Supplies	-	-	-	-	-	12,151	-	12,151	12,151
Enrichment Activities	-	-	-	-	-	6,143	-	6,143	6,143
Youth Services	44,272	-	-	-	44,272	-	-	-	44,272
Family Services	84,715	-	-	-	84,715	-	-	-	84,715
Miscellaneous	-	-	35,024	-	35,024	12,555	1,038	13,593	48,617
Other Professional Fees	116,928	-	-	3,609	120,537	25,707	45,337	71,044	191,581
Printing And Duplicating	-	-	-	-	-	2,801	-	2,801	2,801
Travel	-	-	-	-	-	29,428	-	29,428	29,428
Special Events	-	-	-	-	-	-	60,881	60,881	60,881
Interest	-	-	-	-	-	159	-	159	159
	<u>\$ 3,005,554</u>	<u>\$ 833,956</u>	<u>\$ 179,775</u>	<u>\$ 95,535</u>	<u>\$ 4,114,820</u>	<u>\$ 728,014</u>	<u>\$ 252,460</u>	<u>\$ 980,474</u>	<u>\$ 5,095,294</u>

See Accompanying Notes To The Consolidated Financial Statements

Transitional Housing Corporation And Affiliate
Consolidated Statements Of Cash Flows

For The Years Ended December 31,	2014	2013
CONSOLIDATED CASH FLOWS FROM OPERATING ACTIVITIES:		
Change In Net Assets	\$ 150,683	\$ (488,711)
Adjustments To Reconcile Change In Net Assets To		
Net Cash Provided By (Used In) Operating Activities		
Depreciation And Amortization	74,756	88,882
Loss From Investment In Investing Entities	55	-
(Increase) Decrease In Operating Assets		
Grants Receivable	721	(192,892)
Developer Fees Receivable	46,074	32,271
Prepaid Insurance	(7,123)	-
Resident Services Receivable	(13,583)	(2,037)
Security Deposits Receivable	899	-
Increase (Decrease) In Operating Liabilities		
Accounts Payable And Accrued Expenses	(28,347)	(16,005)
Deposits	3,643	(3,416)
	<u>227,778</u>	<u>(581,908)</u>
Net Cash Provided By (Used In) Operating Activities		
CONSOLIDATED CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition Of Property And Equipment	-	(2,317,002)
Construction Costs Paid	(877,146)	-
Increase In Sponsor Loans Receivable	(2,776)	(2,775)
Increase In Project Development Costs	(82,832)	(342,370)
	<u>(962,754)</u>	<u>(2,662,147)</u>
Net Cash Used In Investing Activities		
CONSOLIDATED CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital Contributions	1,346,940	-
Proceeds From Long-Term Debt	62,070	2,635,356
Principal Payments On Long-Term Debt	(2,638,633)	(7,886)
Net Proceeds From Line Of Credit	98,836	-
Net Proceeds From Construction Loan Line Of Credit	1,474,741	-
	<u>343,954</u>	<u>2,627,470</u>
Net Cash Provided By Financing Activities		
Net Decrease In Cash	(391,022)	(616,585)
Cash - Beginning Of Year	<u>1,181,361</u>	<u>1,797,946</u>
Cash - End Of Year	<u>\$ 790,339</u>	<u>\$ 1,181,361</u>

See Accompanying Notes To The Consolidated Financial Statements

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

For The Years Ended December 31,	2014	2013
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During The Year For:

Interest	\$ 1,128	\$ 159
	\$ 1,128	\$ 159

SUPPLEMENTAL DISCLOSURE OF NON CASH
INVESTING AND FINANCING ACTIVITIES:

Accounts Payable - Construction	285,917	-
Increase In Construction In Progress	(285,917)	-
	\$ -	\$ -

Transitional Housing Corporation And Affiliate

Notes To Consolidated Financial Statements

For The Years Ended December 31, 2014 And 2013

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Partner Arms 4 LLC (PA 4), 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 \$6,648,291. As of December 31, 2014 contributions of \$1,346,940 have been received. THCAH remained in the partnership as a 0.01% managing member. The project will consist 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. The activity of Partners Arms 4 is included within the Consolidated THCAH column on the accompanying Financial Statements.

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

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, four of the grants to the Corporation are temporarily restricted as of December 31, 2014 and six of the grants to the Corporation were temporarily restricted as of December 31, 2013. All other net assets of the Corporation are unrestricted as of December 31, 2014 and 2013.

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

PROPERTY AND EQUIPMENT – Property and equipment are stated at cost. The cost of repairs and maintenance is charged to operations as incurred. Major renewals, betterments and additions are capitalized. When assets are sold or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss is credited or charged to revenue. Depreciation is computed using the straight-line method over 30 years for buildings and 2-7 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.

Transitional Housing Corporation And Affiliate

Notes To Consolidated Financial Statements

(Continued)

For The Years Ended December 31, 2014 And 2013

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

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, 2014 and 2013.

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 \$0 and \$437,550 during the years ended December 31, 2014 and 2013, respectively. THC incurred project development costs of \$104,691 and \$0 during the years ended December 31, 2014 and 2013, respectively.

INCOME TAXES – THC and THCAH are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income as defined in the Code. The corporations did not have any unrelated business income during the years ended December 31, 2014 and 2013. 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 Partner Arms 4, 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, 2014 and 2013 is the equity in the capital balance of the investor member’s interest of \$1,346,940 and \$0, 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, 2014 and 2013.

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

INVESTMENT IN LIMITED LIABILITY COMPANIES – The investment in investing entities are accounted for under the equity method with the investment stated at cost, adjusted for subsequent contributions and distributions and equity in income and losses recognized by the Companies. Once losses exceed the original investment, the activity is no longer recorded. Further, distributions are recognized as other income once the investment balance is reduced to zero.

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 2014 and 2013, the Corporation received in-kind donations of professional services, construction materials, services related to the refurbishing of apartment units and other goods valued at \$49,526 and \$55,549, respectively, which are reported as in-kind donations in the accompanying consolidated statements of activities and changes in net assets. During 2014 and 2013, the Corporation also received approximately 3,026 and 2,765 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.

Transitional Housing Corporation And Affiliate

Notes To Consolidated Financial Statements

(Continued)

For The Years Ended December 31, 2014 And 2013

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

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.

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

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

GRANTS - Transitional Housing Corporation And Affiliate receives its grant and contract support primarily from corporations, foundations, and 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. 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, 2014 and 2013, cash balances exceeded the insured limits by \$386,672 and \$5,312, respectively.

3. INVESTMENT IN INVESTING ENTITIES

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

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

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

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

For The Years Ended December 31, 2014 And 2013

3. INVESTMENT IN INVESTING ENTITIES (CONTINUED)

The summarized combined balance sheets of the Operating Partnerships for which THCAH has an investment through the general partner entity at December 31, 2014 and 2013 and the summarized combined statements of operations for the years then ended are as follows:

COMBINED BALANCE SHEETS

ASSETS

	<u>2014</u>	<u>2013</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	(2,957,737)	(2,225,269)
	<u>26,758,453</u>	<u>27,490,921</u>
Other Assets:		
Cash	152,672	279,362
Accounts Receivable	35,208	36,054
Prepaid Expenses	44,845	44,160
Intangibles	1,005,992	1,054,733
Escrows And Reserves	1,559,201	1,533,347
	<u>2,797,918</u>	<u>2,947,656</u>
 TOTAL ASSETS	 <u>\$ 29,556,371</u>	 <u>\$ 30,438,577</u>

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

For The Years Ended December 31, 2014 And 2013

3. INVESTMENT IN INVESTING ENTITIES (CONTINUED)

LIABILITIES AND PARTNERS' EQUITY

	<u>2014</u>	<u>2013</u>
Liabilities Applicable To Real Estate:		
Mortgage And Bonds Payable	\$ 8,347,521	\$ 8,437,522
Notes And Loans Payable	<u>14,565,645</u>	<u>14,565,645</u>
Total Liabilities Applicable To Real Estate	<u>22,913,166</u>	<u>23,003,167</u>
Other Liabilities:		
Accounts Payable And Accrued Expenses	57,919	69,622
Tenant Security Deposit And Other Liabilities	466,296	458,537
Due To Related Party	<u>1,325,395</u>	<u>1,425,791</u>
Total Other Liabilities	<u>1,849,610</u>	<u>1,953,950</u>
Total Liabilities	<u>24,762,776</u>	<u>24,957,117</u>
Partners' Equity	<u>4,793,595</u>	<u>5,481,460</u>
TOTAL LIABILITIES AND PARTNERS' EQUITY	<u>\$ 29,556,371</u>	<u>\$ 30,438,577</u>
THCAH Portion Of Equity	<u>\$ (255)</u>	<u>\$ (217)</u>

COMBINED STATEMENTS OF OPERATIONS

Revenue:		
Rents	\$ 1,548,544	\$ 1,532,988
Interest	3,107	547
Other	<u>15,612</u>	<u>126,994</u>
Total Revenue	<u>1,567,263</u>	<u>1,660,529</u>
Expenses:		
Administrative	303,499	275,337
Operating And Maintenance	249,430	170,215
Taxes And Insurance	162,486	150,164
Utilities	101,665	74,517
Depreciation And Amortization	781,209	781,209
Interest	505,442	510,020
Other Expenses	<u>151,397</u>	<u>152,709</u>
Total Expenses	<u>2,255,128</u>	<u>2,114,171</u>

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

For The Years Ended December 31, 2014 And 2013

3. INVESTMENT IN INVESTING ENTITIES (CONTINUED)

NET LOSS	<u>\$ (687,865)</u>	<u>\$ (453,642)</u>
THCAH PORTION OF NET LOSS	<u>\$ (33)</u>	<u>\$ (22)</u>

THCAH owns a 0.01% managing member interest in Partner Arms 4. Because THCAH is the managing member, its operations are consolidated in the financial statements of the Corporation. Partner Arms 4 2014 activity is summarized below:

ASSETS

	<u>2014</u>
Cash	\$ 49
Land	1,000,000
Building	1,275,000
Construction In Progress*	<u>1,933,087</u>
TOTAL ASSETS	<u>\$ 4,208,136</u>

LIABILITIES AND MEMBERS' EQUITY

	<u>2014</u>
Accounts Payable - Construction	\$ 241,319
Due To THCAH*	71,701
Construction Loan Line Of Credit	0
Sponsor Loans Payable*	885,000
Developer Fee Payable*	<u>188,435</u>
Total Liabilities	<u>1,386,455</u>
Capital Contributions	1,346,940
Members' Equity	<u>-</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 2,733,395</u>

*These line items (or a portion thereof) are eliminated in the consolidation with THCAH

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

For The Years Ended December 31, 2014 And 2013

4. LONG-TERM DEBT

Notes payable consisted of the following at December 31:

	2014	2013
Mortgage loan of \$13,929 with Cornerstone, Inc. collateralized by building and land located at 4506 Georgia Avenue (Partner Arms II). Interest accrues at 3.5% per annum; monthly principal and interest payments are \$471; any remaining principal is due July 1, 2014.	\$ -	\$ 3,268
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.	24,715	
Note payable of \$35,000 with Corporation for Supportive Housing (CSH). Does not accrue interest; all remaining principal due April 30, 2015	35,000	-
Note payable of \$1,137,500 with Local Initiative Support Corporation (LISC) collateralized by building and land located at 5010 Southern Ave SE and 5066 & 5078 Benning Road SE. Interest accrues at 5% per annum; interest only payments are due monthly; the entire loan balance and any remaining unpaid interest is due the earlier of the close of construction financing or March 1, 2015.	-	1,137,500
Note payable of \$1,100,000 with Cornerstone, Inc. collateralized by building and land located at 5010 Southern Ave SE and 5066 & 5078 Benning Road SE.. Interest accrues at 1% per annum; interest only payments are due monthly; the entire loan balance and any remaining unpaid interest is due the earlier of the close of construction financing or February 28, 2015.	-	1,100,000
Note payable of \$37,500 with Cornerstone, Inc. collateralized by building and land located at 5010 Southern Ave SE and 5066 & 5078 Benning Road SE. Interest accrues at 4% per annum; monthly principal and interest payments are \$382; any remaining principal is due February 28, 2023	-	35,154
Recoverable Grant of \$100,000 with LISC. Payment due at the close of construction financing	-	100,000

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

For The Years Ended December 31, 2014 And 2013

4. LONG-TERM DEBT (CONTINUED)

Note payable of \$350,000 with CSH collateralized by building and land located at 5010 Southern Ave SE and 5066 & 5078 Benning Road SE. Interest accrues at 5.14% per annum; the entire loan balance is due at the earlier of the close of construction financing or April 30, 2016

	-	260,356
	59,715	2,636,278
Less: Current portion	44,628	2,604,364
Long-term portion	\$ 15,087	\$ 31,914

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

	2015	\$	44,628
	2016		9,970
	2017		5,117
	2018		-
	2019		-
	Thereafter		-
	Total	\$	59,715

5. LINES OF CREDIT

BB&T LINE OF CREDIT – THC 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 on January 28, 2015 and can be renewed annually. As of December 31, 2014, the outstanding balance on the line of credit was \$98,836.

CONSTRUCTION LOAN LINE OF CREDIT – Partner Arms 4 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 is 3.155% per annum and the line of credit expires on September 16, 2016. As of December 31, 2014, the outstanding balance on the line of credit was \$1,474,741.

6. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Housing and Services Support	\$ 701,150	\$ 911,350

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

For The Years Ended December 31, 2014 And 2013

7. CONCENTRATION OF FUNDING RISK

During 2014, THC received \$1,563,530, approximately 26 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. THC also received \$1,609,990, approximately 27 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 THC's ability to carry out its current program activities. Management does not consider this a significant risk in the near term.

8. LEASE OBLIGATIONS

THC 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 20 years through January, 2033. The terms of the lease require THC to make annual lease payments of \$8,400 and pay for all required repairs and maintenance.

THC 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 THC 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:

2015	\$	109,044
2016		110,844
2017		95,480
2018		8,400
2019		8,400
Thereafter		109,200
Total	\$	441,368

In addition, THC leases office space under a one-year renewable lease. The lease was renewed in 2014. Rent expense for this office space was \$32,172 and \$37,824 for 2014 and 2013, respectively.

9. RETIREMENT PLAN

THC maintains a tax deferred annuity retirement plan qualified under section 403(b) of the Internal Revenue Code. Eligible employees may contribute to the plan up to the limits established by law. THC makes matching contributions equal to 25 percent of eligible employees' contributions to the plan. For 2014 and 2013, THC incurred expenses of \$6,599 and \$5,220, respectively.

10. 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, 2014 and 2013 are \$741,325 and \$7,738 for 2014, and \$741,325 and \$5,885 for 2013, respectively.

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

For The Years Ended December 31, 2014 And 2013

10. 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, 2014 and 2013 are \$369,000 and \$3,934 for 2014, and \$369,000 and \$3,011 for 2013, respectively.

On September 16, 2014, THCAH entered into a loan agreement with Partner Arms 4. The principal amount of the note is \$1,220,000, of which \$885,000 was disbursed during the year ended December 31, 2014. 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, 2014 is \$885,000, which was eliminated in the consolidation. No interest was accrued for the year ended December 31, 2014.

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, 2014 and 2013, developer fees receivable totaled \$680,511, including \$188,435 from Partner Arms 4 which was eliminated, and \$726,585, respectively. THCAH earned developer fees of \$332,066 from Partner Arms 4, which 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.

THC and THCAH are a party to a guaranty agreement with the limited partners of Fort View, LP and Webster Gardens, LP in connection with the partnership agreements. In addition, the co-general partner and other parties are a party to the 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.

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

For The Years Ended December 31, 2014 And 2013

10. 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 2014 and 2013, no operating deficit loans were required.

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

11. 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.

12. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the consolidated statement of financial position date for potential recognition or disclosure through the 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 And Affiliate
Consolidating Statement Of Financial Position

December 31, 2014

	THC	Consolidated THCAH	Eliminations	Total
CURRENT ASSETS				
Cash	\$ 606,266	\$ 184,073	\$ -	\$ 790,339
Grants Receivable	441,281	-	-	441,281
Developer Fees Receivable - Current	-	1,855	-	1,855
Resident Services Receivable	32,813	-	-	32,813
Prepaid Insurance	7,123	-	-	7,123
Total Current Assets	1,087,483	185,928	-	1,273,411
PROPERTY AND EQUIPMENT				
Land	85,000	1,000,000	-	1,085,000
Buildings And Improvements	1,377,383	1,275,000	-	2,652,383
Leasehold Improvements	194,471	-	-	194,471
Furniture, Fixtures And Equipment	182,447	-	-	182,447
Automobile	25,119	-	-	25,119
	1,864,420	2,275,000	-	4,139,420
Less: Accumulated Depreciation	931,807	-	-	931,807
Total Property And Equipment	932,613	2,275,000	-	3,207,613
OTHER ASSETS				
Security Deposits Receivable	60,309	-	-	60,309
Sponsor Loans Receivable	-	1,121,997	-	1,121,997
Due From Affiliate	-	94,386	(94,386)	-
Developer Fees Receivable - Long-Term	-	678,656	-	678,656
Project Development Costs	82,832	-	-	82,832
Construction In Progress	-	1,601,021	-	1,601,021
Investment In Investing Entities	-	(255)	-	(255)
Total Other Assets	143,141	3,495,805	(94,386)	3,544,560
TOTAL ASSETS	\$ 2,163,237	\$ 5,956,733	\$ (94,386)	\$ 8,025,584

See Accompanying Notes To The Consolidated Financial Statements

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

December 31, 2014

	THC	Consolidated THCAH	Eliminations	Total
CURRENT LIABILITIES				
Accounts Payable And Accrued Expenses	\$ 90,661	\$ -	\$ -	\$ 90,661
Accounts Payable - Construction	-	285,917	-	285,917
Current Portion Of Long-Term Debt	44,628	-	-	44,628
Deposits	10,897	-	-	10,897
Total Current Liabilities	146,186	285,917	-	432,103
LONG-TERM LIABILITIES				
Due To Affiliates	94,386	-	(94,386)	-
Line Of Credit	98,836	-	-	98,836
Construction Loan Line Of Credit	-	1,474,741	-	1,474,741
Long-Term Debt - Less Current Portion	15,087	-	-	15,087
Total Long-Term Liabilities	208,309	1,474,741	(94,386)	1,588,664
TOTAL LIABILITIES	354,495	1,760,658	(94,386)	2,020,767
NET ASSETS				
Unrestricted				
General Fund	1,107,592	2,849,135	-	3,956,727
Non-Controlling	-	1,346,940	-	1,346,940
Total Unrestricted	1,107,592	4,196,075	-	5,303,667
Temporarily Restricted	701,150	-	-	701,150
Total Net Assets	1,808,742	4,196,075	-	6,004,817
TOTAL LIABILITIES AND NET ASSETS	\$ 2,163,237	\$ 5,956,733	\$ (94,386)	\$ 8,025,584

See Accompanying Notes To The Consolidated Financial Statements

Transitional Housing Corporation And Affiliate
Consolidating Statement Of Financial Position

December 31, 2013

	THC	THCAH	Eliminations	Total
CURRENT ASSETS				
Cash	\$ 793,154	\$ 388,207	\$ -	\$ 1,181,361
Grants Receivable	417,002	25,000	-	442,002
Developer Fees Receivable - Current	-	46,073	-	46,073
Resident Services Receivable	19,230	-	-	19,230
Total Current Assets	1,229,386	459,280	-	1,688,666
PROPERTY AND EQUIPMENT				
Land	85,000	1,000,000	-	1,085,000
Buildings And Improvements	1,377,383	1,275,000	-	2,652,383
Leasehold Improvements	194,471	-	-	194,471
Furniture, Fixtures And Equipment	182,447	-	-	182,447
Automobile	25,119	-	-	25,119
	1,864,420	2,275,000	-	4,139,420
Less: Accumulated Depreciation	857,051	-	-	857,051
Total Property And Equipment	1,007,369	2,275,000	-	3,282,369
OTHER ASSETS				
Security Deposits Receivable	61,208	-	-	61,208
Sponsor Loans Receivable	-	1,119,221	-	1,119,221
Developer Fees Receivable - Long-Term	-	680,512	-	680,512
Project Development Costs	-	437,958	-	437,958
Total Other Assets	61,208	2,237,691	-	2,298,899
TOTAL ASSETS	\$ 2,297,963	\$ 4,971,971	\$ -	\$ 7,269,934

See Accompanying Notes To The Consolidated Financial Statements

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

December 31, 2013

	THC	THCAH	Eliminations	Total
CURRENT LIABILITIES				
Accounts Payable And Accrued Expenses	\$ 86,667	\$ 32,541	\$ -	\$ 119,208
Current Portion Of Long-Term Debt	3,268	2,601,096	-	2,604,364
Deposits	7,254	-	-	7,254
	<u>97,189</u>	<u>2,633,637</u>	<u>-</u>	<u>2,730,826</u>
LONG-TERM LIABILITIES				
Long-Term Debt - Less Current Portion	-	31,914	-	31,914
	<u>-</u>	<u>31,914</u>	<u>-</u>	<u>31,914</u>
TOTAL LIABILITIES				
	<u>97,189</u>	<u>2,665,551</u>	<u>-</u>	<u>2,762,740</u>
NET ASSETS				
Unrestricted	1,318,424	2,277,420	-	3,595,844
Temporarily Restricted	882,350	29,000	-	911,350
	<u>2,200,774</u>	<u>2,306,420</u>	<u>-</u>	<u>4,507,194</u>
TOTAL LIABILITIES AND NET ASSETS				
	<u>\$ 2,297,963</u>	<u>\$ 4,971,971</u>	<u>\$ -</u>	<u>\$ 7,269,934</u>

See Accompanying Notes To The Consolidated Financial Statements

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

For The Year Ended December 31, 2014

	Unrestricted				Temporarily Restricted				Consolidated
	THC	Consolidated THCAH	Eliminations	Total	THC	Consolidated THCAH	Eliminations	Total	
REVENUE									
Government Contracts & Grants	\$ 3,149,875	\$ -	\$ -	\$ 3,149,875	\$ -	\$ -	\$ -	\$ -	\$ 3,149,875
Corporate/Individual Contributions	660,464	890,216	(100,000)	1,450,680	701,150	-	-	701,150	2,151,830
In-Kind Donations	49,526	-	-	49,526	-	-	-	-	49,526
Rental Revenue	19,046	-	-	19,046	-	-	-	-	19,046
Investment And Other Income	25,290	2,987	-	28,277	-	-	-	-	28,277
Resident Services Fees	70,215	-	-	70,215	-	-	-	-	70,215
Management Fees	175,431	-	(175,431)	-	-	-	-	-	-
Net Assets Released From Purpose Related Restrictions	882,350	29,000	-	911,350	(882,350)	(29,000)	-	(911,350)	-
Total Revenue	5,032,197	922,203	(275,431)	5,678,969	(181,200)	(29,000)	-	(210,200)	5,468,769
EXPENSES									
Program Services:									
Resident Services	3,068,138	65,996	-	3,134,134	-	-	-	-	3,134,134
Building Operations	926,579	6,106	-	932,685	-	-	-	-	932,685
Affordable Housing	214,306	275,686	(275,431)	214,561	-	-	-	-	214,561
Outreach	-	-	-	-	-	-	-	-	-
Total Program Services Expenses	4,209,023	347,788	(275,431)	4,281,380	-	-	-	-	4,281,380
Supporting Services:									
Management And General	657,861	2,700	-	660,561	-	-	-	-	660,561
Fundraising	376,145	-	-	376,145	-	-	-	-	376,145
Total Supporting Services Expenses	1,034,006	2,700	-	1,036,706	-	-	-	-	1,036,706
Total Expenses	5,243,029	350,488	(275,431)	5,318,086	-	-	-	-	5,318,086
Change In Net Assets	(210,832)	571,715	-	360,883	(181,200)	(29,000)	-	(210,200)	150,683
Net Assets At December 31, 2013	1,318,424	2,277,420	-	3,595,844	882,350	29,000	-	911,350	4,507,194
Capital Contributions	-	1,346,940	-	1,346,940	-	-	-	-	1,346,940
Net Assets At December 31, 2014 Before Non-Controlling Interest	1,107,592	4,196,075	-	5,303,667	701,150	-	-	701,150	6,004,817
Non-Controlling Interest	-	(1,346,940)	-	(1,346,940)	-	-	-	-	(1,346,940)
Net Assets At December 31, 2014 Attributable To THC	<u>\$ 1,107,592</u>	<u>\$ 2,849,135</u>	<u>\$ -</u>	<u>\$ 3,956,727</u>	<u>\$ 701,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 701,150</u>	<u>\$ 4,657,877</u>

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

For The Year Ended December 31, 2013

	Unrestricted				Temporarily Restricted				Consolidated
	THC	THCAH	Eliminations	Total	THC	THCAH	Eliminations	Total	
REVENUE									
Government Contracts & Grants	\$ 3,025,773	\$ -	\$ -	\$ 3,025,773	\$ -	\$ -	\$ -	\$ -	\$ 3,025,773
Corporate/Individual Contributions	477,897	25,050	-	502,947	820,599	29,000	-	849,599	1,352,546
In-Kind Donations	55,549	-	-	55,549	-	-	-	-	55,549
Rental Revenue	35,621	-	-	35,621	-	-	-	-	35,621
Investment And Other Income	6,842	56,640	-	63,482	-	-	-	-	63,482
Resident Services Fees	73,612	-	-	73,612	-	-	-	-	73,612
Management Fees	175,431	-	(175,431)	-	-	-	-	-	-
Net Assets Released From Purpose Related Restrictions	887,744	24,501	-	912,245	(887,744)	(24,501)	-	(912,245)	-
Total Revenue	4,738,469	106,191	(175,431)	4,669,229	(67,145)	4,499	-	(62,646)	4,606,583
EXPENSES									
Program Services:									
Resident Services	3,005,554	-	-	3,005,554	-	-	-	-	3,005,554
Building Operations	832,246	1,710	-	833,956	-	-	-	-	833,956
Affordable Housing	179,775	175,431	(175,431)	179,775	-	-	-	-	179,775
Outreach	95,535	-	-	95,535	-	-	-	-	95,535
Total Program Services Expenses	4,113,110	177,141	(175,431)	4,114,820	-	-	-	-	4,114,820
Supporting Services:									
Management And General	727,142	872	-	728,014	-	-	-	-	728,014
Fundraising	252,460	-	-	252,460	-	-	-	-	252,460
Total Supporting Services Expenses	979,602	872	-	980,474	-	-	-	-	980,474
Total Expenses	5,092,712	178,013	(175,431)	5,095,294	-	-	-	-	5,095,294
Change In Net Assets	(354,243)	(71,822)	-	(426,065)	(67,145)	4,499	-	(62,646)	(488,711)
Net Assets At December 31, 2012	1,672,667	2,349,242	-	4,021,909	949,495	24,501	-	973,996	4,995,905
Net Assets At December 31, 2013	<u>\$ 1,318,424</u>	<u>\$ 2,277,420</u>	<u>\$ -</u>	<u>\$ 3,595,844</u>	<u>\$ 882,350</u>	<u>\$ 29,000</u>	<u>\$ -</u>	<u>\$ 911,350</u>	<u>\$ 4,507,194</u>

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

For The Year Ended December 31, 2014

	THC	Consolidated THCAH	Eliminations	Total
CONSOLIDATING CASH FLOWS FROM OPERATING ACTIVITIES:				
Change In Net Assets	\$ (392,032)	\$ 542,715	\$ -	\$ 150,683
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By (Used In) Operating Activities				
Depreciation And Amortization	74,756	-	-	74,756
Loss From Investment In Investing Entities	-	55	-	55
(Increase) Decrease In Operating Assets				
Grants Receivable	(24,279)	25,000	-	721
Developer Fees Receivable	-	46,074	-	46,074
Prepaid Insurance	(7,123)	-	-	(7,123)
Resident Services Receivable	(13,583)	-	-	(13,583)
Security Deposits Receivable	899	-	-	899
Increase In Operating Liabilities				
Accounts Payable And Accrued Expenses	3,994	(32,341)	-	(28,347)
Deposits	3,643	-	-	3,643
 Net Cash Provided By (Used In) Operating Activities	 (353,725)	 581,503	 -	 227,778
CONSOLIDATING CASH FLOWS FROM INVESTING ACTIVITIES:				
Construction Costs Paid	-	(877,146)	-	(877,146)
Increase In Sponsor Loans Receivable	-	(2,776)	-	(2,776)
Increase In Project Development Costs	(82,832)	-	-	(82,832)
Increase In Due From Affiliates	-	(94,386)	94,386	-
 Net Cash Used In Investing Activities	 (82,832)	 (974,308)	 94,386	 (962,754)
CONSOLIDATING CASH FLOWS FROM FINANCING ACTIVITIES:				
Capital Contributions	-	1,346,940	-	1,346,940
Proceeds From Long-Term Debt	62,070	-	-	62,070
Principal Payments On Long-Term Debt	(5,623)	(2,633,010)	-	(2,638,633)
Net Proceeds From Line Of Credit	98,836	-	-	98,836
Net Proceeds From Construction Loan Line Of Credit	-	1,474,741	-	1,474,741
Increase In Due To Affiliates	94,386	-	(94,386)	-
 Net Cash Provided By Financing Activities	 249,669	 188,671	 (94,386)	 343,954
 Net Decrease In Cash	 (186,888)	 (204,134)	 -	 (391,022)
Cash - Beginning Of Year	793,154	388,207	-	1,181,361
Cash - End Of Year	<u>\$ 606,266</u>	<u>\$ 184,073</u>	<u>\$ -</u>	<u>\$ 790,339</u>

See Accompanying Notes To The Consolidated Financial Statements

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

For The Year Ended December 31, 2014

	THC	Consolidated THCAH	Eliminations	Total
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash Paid During The Year For:				
Interest	\$ 1,128	\$ -	\$ -	\$ 1,128
SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING AND FINANCING ACTIVITIES:				
Accounts Payable - Construction	-	285,917	-	285,917
Increase In Construction In Progress	-	(285,917)	-	(285,917)
	\$ -	\$ -	\$ -	\$ -

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

For The Year Ended December 31, 2013

	THC	THCAH	Eliminations	Total
CONSOLIDATING CASH FLOWS FROM OPERATING ACTIVITIES:				
Change In Net Assets	\$ (421,388)	\$ (67,323)	\$ -	\$ (488,711)
Adjustments To Reconcile Change In Net Assets To				
Net Cash Used In Operating Activities				
Depreciation And Amortization	88,882	-	-	88,882
(Increase) Decrease In Operating Assets				
Grants Receivable	(187,892)	(5,000)	-	(192,892)
Developer Fees Receivable	-	32,271	-	32,271
Resident Services Receivable	(2,037)	-	-	(2,037)
Increase (Decrease) In Operating Liabilities				
Accounts Payable And Accrued Expenses	(48,546)	32,541	-	(16,005)
Deposits	(3,416)	-	-	(3,416)
Net Cash Used In Operating Activities	<u>(574,397)</u>	<u>(7,511)</u>	<u>-</u>	<u>(581,908)</u>
CONSOLIDATING CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition Of Property And Equipment	(42,002)	(2,275,000)	-	(2,317,002)
Increase In Sponsor Loans Receivable	-	(2,775)	-	(2,775)
Increase In Project Development Costs	-	(342,370)	-	(342,370)
Net Cash Used In Investing Activities	<u>(42,002)</u>	<u>(2,620,145)</u>	<u>-</u>	<u>(2,662,147)</u>
CONSOLIDATING CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds On Long-Term Debt	-	2,635,356	-	2,635,356
Principal Payments On Long-Term Debt	(5,540)	(2,346)	-	(7,886)
Net Cash Provided By (Used In) Financing Activities	<u>(5,540)</u>	<u>2,633,010</u>	<u>-</u>	<u>2,627,470</u>
Net Increase (Decrease) In Cash	(621,939)	5,354	-	(616,585)
Cash - Beginning Of Year	1,415,093	382,853	-	1,797,946
Cash - End Of Year	<u>\$ 793,154</u>	<u>\$ 388,207</u>	<u>\$ -</u>	<u>\$ 1,181,361</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash Paid During The Year For:				
Interest	<u>\$ 159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159</u>

Transitional Housing Corporation And Affiliate Schedule Of Expenditures Of Federal Awards

December 31, 2014

<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 ¹	14.235	
ARRA Expenditures		\$ -
Non-ARRA Expenditures		<u>891,202</u>
Total Expenditures		<u>891,202</u>
Supportive Services for Veteran Families Program Veterans Affairs Supportive Services for Veteran Families Program ²	64.033	
ARRA Expenditures		\$ -
Non-ARRA Expenditures		<u>75,672</u>
Total Expenditures		<u>75,672</u>
Pass Through Awards from the District of Columbia:		
U.S. Department of Health and Human Services Temporary Assistance for Needy Families ³	93.558	
ARRA Expenditures		\$ -
Non-ARRA Expenditures		<u>1,189,070</u>
Total Expenditures		<u>1,189,070</u>
Total		<u>\$ 2,155,944</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Transitional Housing Corporation And Affiliate under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations." Because the Schedule presents only a selected portion of the operations of Transitional Housing Corporation And Affiliate, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Transitional Housing Corporation 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 OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Transitional Housing Corporation And Affiliate
Schedule Of Expenditures Of Federal Awards (Continued)**

December 31, 2014

¹ Continuum of Care Homeless Assistance Program – PA I Contract	\$	134,994
Community Partnership for the Prevention of Homelessness – PA II Contract		137,994
Community Partnership for the Prevention of Homelessness – Housing with Care		424,954
Community Partnership for the Prevention of Homelessness – Homeless FRP		193,260
	\$	<u>891,202</u>
² Community Partnership for the Prevention of Homelessness – SSVF VA	\$	75,672
³ Community Partnership for the Prevention of Homelessness – DHS PA III Contract	\$	514,683
Community Partnership for the Prevention of Homelessness – DHS FRSP		616,060
Community Partnership for the Prevention of Homelessness – Homeless FRP		58,327
	\$	<u>1,189,070</u>

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 And Affiliate**
5101 16th 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 And Affiliate, which comprise the consolidated statement of financial position as of December 31, 2014, 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 September 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Transitional Housing Corporation 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 And Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transitional Housing Corporation 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 And Affiliate
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*
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 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 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 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 And Affiliate's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hertzbach & Company P.A.

Owings Mills, Maryland
September 23, 2015

Independent Auditors' Report

On Compliance With Each Major Federal Program, Internal Control

Over Compliance And The Schedule Of Expenditures Of Federal Awards

Required By OMB Circular A-133

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

Report on Compliance for Each Major Program

We have audited Transitional Housing Corporation And Affiliate's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement (OMB Circular A-133)* that could have a direct and material effect on each of Transitional Housing Corporation And Affiliate's major federal programs for the year ended December 31, 2014. Transitional Housing Corporation 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 requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Transitional Housing Corporation 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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133)*. Those standards and *OMB Circular A-133* require that

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Transitional Housing Corporation And Affiliate
Independent Auditors' Report On Compliance
With Each Major Federal Program, Internal Control
Over Compliance And The Schedule Of Expenditures
Of Federal Awards Required By *OMB Circular A-133*
Page Two

we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Transitional Housing Corporation And 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 And Affiliate's compliance.

Opinion on Each Major Federal Program

In our opinion, Transitional Housing Corporation 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, 2014.

Report on Internal Control Over Compliance

Management of Transitional Housing Corporation 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 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 *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Transitional Housing Corporation 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.

Transitional Housing Corporation And Affiliate
Independent Auditors' Report On Compliance
With Each Major Federal Program, Internal Control
Over Compliance And The Schedule Of Expenditures
Of Federal Awards Required By *OMB Circular A-133*
Page Three

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 *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Transitional Housing Corporation And Affiliate as of and for the year ended December 31, 2014, and issued our report thereon dated September 23, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hertzbach & Company P.A.

Owings Mills, Maryland
September 23, 2015

Transitional Housing Corporation And Affiliate Schedule Of Findings And Questioned Costs

For The Year Ended December 31, 2014

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of Transitional Housing Corporation 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 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 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 And Affiliate.
7. The program tested as a major program was: HHS Temporary Assistance for Needy Families #93.558.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Transitional Housing Corporation 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