

# Transitional Housing Corporation And Affiliate

## Consolidated Financial Statements

For The Years Ended  
December 31, 2015 And 2014



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

# Transitional Housing Corporation And Affiliate

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For The Years Ended December 31, 2015 And 2014

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**Independent Auditors' Report**

**To The Board Of Directors  
Transitional Housing Corporation 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 And Affiliate, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 20 to 25 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 26-27, 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 8, 2016 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  
August 8, 2016

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

Address: Red Brook Corporate Center  
800 Red Brook Boulevard, Suite 300  
Owings Mills, MD 21117

Federal I.D.#: 52-1158459

Jeffrey M. Kleeman, CPA  
(Lead Auditor)  
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**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

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

December 31,	2015	2014
<b>Assets</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,042,507	\$ 790,339
Rents Receivable	34,148	-
Grants Receivable	584,710	441,281
Current Portion Of Developer Fees Receivable	84,681	1,855
Resident Services Receivable	-	32,813
Prepaid Insurance	46,250	7,123
Tenants' Security Deposits	14,110	-
	<u>1,806,406</u>	<u>1,273,411</u>
Total Current Assets		
<b>PROPERTY AND EQUIPMENT</b>		
Land	1,085,000	1,085,000
Buildings And Improvements	9,658,909	2,652,383
Land Improvements	253,465	-
Leasehold Improvements	1,810,800	194,471
Furniture, Fixtures And Equipment	544,307	182,447
Automobile	25,119	25,119
	<u>13,377,600</u>	<u>4,139,420</u>
Less: Accumulated Depreciation	1,094,148	931,807
	<u>12,283,452</u>	<u>3,207,613</u>
Total Property And Equipment		
<b>OTHER ASSETS</b>		
Security Deposit Receivable	61,958	60,309
Rate Lock Deposit	41,400	-
Sponsor Loans Receivable	1,121,997	1,121,997
Developer Fees Receivable - Less Current Portion	834,865	678,656
Project Development Costs	-	82,832
Construction In Progress	-	1,601,021
Reserves	42,694	-
Intangible Assets	191,193	-
Investment In LLCs	(288)	(255)
	<u>2,293,819</u>	<u>3,544,560</u>
Total Other Assets		
<b>TOTAL ASSETS</b>	<u><u>\$ 16,383,677</u></u>	<u><u>\$ 8,025,584</u></u>

See Accompanying Notes To The Consolidated Financial Statements

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

December 31,	2015	2014
<b>Liabilities And Net Assets</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable And Accrued Expenses	\$ 412,161	\$ 90,661
Accounts Payable - Construction	715,059	285,917
Current Portion Of Long-Term Debt	9,970	44,628
Prepaid Rents	610	-
Security Deposit Payable	31,014	10,897
	<u>1,168,814</u>	<u>432,103</u>
<b>LONG-TERM LIABILITIES</b>		
Line Of Credit	-	98,836
Construction Loan Line Of Credit	4,890,920	1,474,741
Developer Fee Payable	266,744	-
Deferred Developer Fee Income	268,061	-
Long-Term Debt - Less Current Portion	1,392,256	15,087
	<u>6,817,981</u>	<u>1,588,664</u>
<b>TOTAL LIABILITIES</b>	<u>7,986,795</u>	<u>2,020,767</u>
<b>NET ASSETS</b>		
Unrestricted		
General Fund	5,336,965	3,956,727
Non-Controlling	2,529,658	1,346,940
	<u>7,866,623</u>	<u>5,303,667</u>
Temporarily Restricted	530,259	701,150
	<u>8,396,882</u>	<u>6,004,817</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 16,383,677</u>	<u>\$ 8,025,584</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, 2015**

	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	343,647	-	343,647
Net Assets Released From Purpose Related Restrictions	672,200	(672,200)	-
<b>Total Revenue</b>	<b>6,338,049</b>	<b>(170,891)</b>	<b>6,167,158</b>
<b>EXPENSES</b>			
Program Services:			
Resident Services	2,949,627	-	2,949,627
Building Operations	820,789	-	820,789
Affordable Housing	394,400	-	394,400
<b>Total Program Services Expenses</b>	<b>4,164,816</b>	<b>-</b>	<b>4,164,816</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>5,139,685</b>	<b>-</b>	<b>5,139,685</b>
Change In Net Assets	1,198,364	(170,891)	1,027,473
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	7,866,623	530,259	8,396,882
Non-Controlling Interest	(2,529,658)	-	(2,529,658)
Net Assets At December 31, 2015 Attributable To THC	<u>\$ 5,336,965</u>	<u>\$ 530,259</u>	<u>\$ 5,867,224</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
<b>REVENUE</b>			
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)	-
<b>Total Revenue</b>	<b>5,678,969</b>	<b>(210,200)</b>	<b>5,468,769</b>
<b>EXPENSES</b>			
Program Services:			
Resident Services	3,134,134	-	3,134,134
Building Operations	932,685	-	932,685
Affordable Housing	214,561	-	214,561
<b>Total Program Services Expenses</b>	<b>4,281,380</b>	<b>-</b>	<b>4,281,380</b>
Supporting Services:			
Management And General	660,561	-	660,561
Fundraising	376,145	-	376,145
<b>Total Supporting Services Expenses</b>	<b>1,036,706</b>	<b>-</b>	<b>1,036,706</b>
<b>Total Expenses</b>	<b>5,318,086</b>	<b>-</b>	<b>5,318,086</b>
<b>Change In Net Assets</b>	<b>360,883</b>	<b>(210,200)</b>	<b>150,683</b>
<b>Net Assets At December 31, 2013</b>	<b>3,595,844</b>	<b>911,350</b>	<b>4,507,194</b>
<b>Capital Contributions - Non-Controlling</b>	<b>1,346,940</b>	<b>-</b>	<b>1,346,940</b>
<b>Net Assets At December 31, 2014 Before Non-Controlling Interest</b>	<b>5,303,667</b>	<b>701,150</b>	<b>6,004,817</b>
<b>Non-Controlling Interest</b>	<b>(1,346,940)</b>	<b>-</b>	<b>(1,346,940)</b>
<b>Net Assets At December 31, 2014 Attributable To THC</b>	<b>\$ 3,956,727</b>	<b>\$ 701,150</b>	<b>\$ 4,657,877</b>

See Accompanying Notes To The Consolidated Financial Statements

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

**For The Year Ended December 31, 2015**

	Program Services				Supporting Services			Total Expenses
	Resident Services	Building Operations	Affordable Housing	Total Program Services	Management and General	Fundraising	Supporting Services	
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	427,621	9,874	22,546	460,041	221,633	-	221,633	221,633
Payroll Taxes And Fringe Benefits	-	115,179	12,530	127,709	36,063	42,975	79,038	539,079
Repairs And Maintenance	-	79,454	82,887	162,341	-	-	-	127,709
Depreciation And Amortization	-	74,939	25,962	166,451	-	-	-	162,341
Utilities	65,550	303,704	-	401,072	35,886	-	35,886	166,451
Rent	97,368	45,206	5,211	82,164	9,273	-	9,273	436,958
Insurance	31,747	-	-	122,479	-	-	-	91,437
Family Services	122,479	2,796	1,030	3,826	11,827	-	11,827	122,479
Miscellaneous	59,711	126,909	48,832	235,452	58,526	26,349	84,875	15,653
Other Professional Fees	-	-	-	-	1,145	-	1,145	320,327
Bank Charges	27,405	-	-	27,405	720	-	720	1,145
Travel	-	-	-	-	6,394	-	6,394	28,125
Membership Dues And Fees	-	-	-	-	-	-	-	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
	\$ 2,949,627	\$ 820,789	\$ 394,400	\$ 4,164,816	\$ 659,377	\$ 315,492	\$ 974,869	\$ 5,139,685

**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	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>\$ 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 Statements Of Cash Flows**

For The Years Ended December 31,	2015	2014
CONSOLIDATED CASH FLOWS FROM		
OPERATING ACTIVITIES:		
Change In Net Assets	\$ 1,027,473	\$ 150,683
Adjustments To Reconcile Change In Net Assets To		
Net Cash Provided By Operating Activities		
Depreciation And Amortization	162,341	74,756
Loss From Investment In Investing Entities	33	55
(Increase) Decrease In Operating Assets		
Rents Receivable	(34,148)	-
Grants Receivable	(143,429)	721
Developer Fees Receivable	(382,666)	46,074
Prepaid Insurance	(39,127)	(7,123)
Resident Services Receivable	32,813	(13,583)
Security Deposits Receivable	(15,759)	899
Increase (Decrease) In Operating Liabilities		
Accounts Payable And Accrued Expenses	445,851	(28,347)
Prepaid Rent	610	-
Deposits	20,117	3,643
Deferred Developer Fee Income	268,061	-
	<u>1,342,170</u>	<u>227,778</u>
Net Cash Provided By Operating Activities		
CONSOLIDATED CASH FLOWS FROM		
INVESTING ACTIVITIES:		
Construction Costs Paid	(1,995,008)	(877,146)
Purchase Of Fixed Assets	(1,683,879)	-
Increase In Sponsor Loans Receivable	-	(2,776)
(Increase) Decrease In Project Development Costs	82,832	(82,832)
Increase In Intangible Assets	(18,120)	-
Increase In Reserves	(42,694)	-
Increase In Rate Lock Deposit	(41,400)	-
	<u>(3,698,269)</u>	<u>(962,754)</u>
Net Cash Used In Investing Activities		
CONSOLIDATED CASH FLOWS FROM		
FINANCING ACTIVITIES:		
Capital Contributions	1,364,592	1,346,940
Proceeds From Long-Term Debt	1,387,139	62,070
Principal Payments On Long-Term Debt	(143,464)	(2,638,633)
Net Proceeds From Line Of Credit	-	98,836
Net Increase In Due To Affiliates	-	1,474,741
	<u>2,608,267</u>	<u>343,954</u>
Net Cash Provided By Financing Activities		
Net Increase (Decrease) In Cash	252,168	(391,022)
Cash - Beginning Of Year	<u>790,339</u>	<u>1,181,361</u>
Cash - End Of Year	<u>\$ 1,042,507</u>	<u>\$ 790,339</u>

See Accompanying Notes To The Consolidated Financial Statements

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

<b>For The Years Ended December 31,</b>	<b>2015</b>	<b>2014</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During The Year For:		
Interest	<u>\$ 150,283</u>	<u>\$ 8,857</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Increase In Long-Term Debt	4,382,262	285,917
Increase In Property And Equipment	(4,209,189)	(285,917)
Increase In Financing Fees And Tax Credit Fees	(173,073)	-
	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes To The Consolidated Financial Statements

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# Transitional Housing Corporation And Affiliate

## Notes To Consolidated Financial Statements

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For The Years Ended December 31, 2015 And 2014

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### 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 2, 2016, THC changed their name to 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. 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, 2015 contributions of \$2,711,532 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.

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. 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, seven of the grants to the Corporation are temporarily restricted as of December 31, 2015 and four of the grants to the Corporation were temporarily restricted as of December 31, 2014. All other net assets of the Corporation are unrestricted as of December 31, 2015 and 2014.

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, 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.

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# Transitional Housing Corporation And Affiliate

## Notes To Consolidated Financial Statements

### (Continued)

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**For The Years Ended December 31, 2015 And 2014**

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

AMORTIZATION - Financing fees are being amortized to operations over the lives of the loans using the straight-line method.

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, 2015 and 2014.

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, 2015 and 2014, respectively. THC incurred project development costs of \$0 and \$104,691 during the years ended December 31, 2015 and 2014, 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, 2015 and 2014. 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 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, 2015 and 2014 is the equity in the capital balance of the investor member’s interest of \$2,529,658 and \$1,346,940, 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, 2015 and 2014.

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 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.

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 2015 and 2014, the Corporation received in-kind donations of professional services, construction materials, services related to the refurbishing of apartment units and other goods valued at \$53,263 and \$49,526, respectively, which are reported as in-kind donations in the accompanying consolidated statements of activities and changes in net assets. During 2015 and 2014, the Corporation also received approximately 2,095 and 3,026 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.



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# Transitional Housing Corporation And Affiliate

## Notes To Consolidated Financial Statements

### (Continued)

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**For The Years Ended December 31, 2015 And 2014**

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#### **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.

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 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. RENTS RECEIVABLE**

Management is of the opinion that all of the Partnership'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.

#### **3. 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, 2015 and 2014, cash balances exceeded the insured limits by \$809,122 and \$386,672, respectively.

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

**For The Years Ended December 31, 2015 And 2014**

**4. 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, 2015 and 2014 and the summarized combined statements of operations for the years then ended are as follows:

COMBINED BALANCE SHEETS

ASSETS

	<u>2015</u>	<u>2014</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
	29,716,190	29,716,190
Accumulated Depreciation	(3,690,204)	(2,957,737)
	26,025,986	26,758,453
Other Assets:		
Cash	102,061	152,672
Accounts Receivable	49,524	35,208
Prepaid Expenses	38,028	44,845
Intangibles	957,028	1,005,992
Escrows And Reserves	1,591,468	1,559,201
	2,738,109	2,797,918
 TOTAL ASSETS	 \$ 28,764,095	 \$ 29,556,371

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

**For The Years Ended December 31, 2015 And 2014**

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

LIABILITIES AND PARTNERS' EQUITY

	<u>2015</u>	<u>2014</u>
Liabilities Applicable To Real Estate:		
Mortgage And Bonds Payable	\$ 8,252,342	\$ 8,347,521
Notes And Loans Payable	<u>14,565,645</u>	<u>14,565,645</u>
Total Liabilities Applicable To Real Estate	<u>22,817,987</u>	<u>22,913,166</u>
Other Liabilities:		
Accounts Payable And Accrued Expenses	56,125	57,919
Tenant Security Deposit And Other Liabilities	543,184	466,296
Due To Related Party	<u>1,247,988</u>	<u>1,325,395</u>
Total Other Liabilities	<u>1,847,297</u>	<u>1,849,610</u>
Total Liabilities	<u>24,665,284</u>	<u>24,762,776</u>
Partners' Equity	<u>4,098,811</u>	<u>4,793,595</u>
TOTAL LIABILITIES AND PARTNERS' EQUITY	<u>\$ 28,764,095</u>	<u>\$ 29,556,371</u>
THCAH Portion Of Equity	<u>\$ (288)</u>	<u>\$ (255)</u>

COMBINED STATEMENTS OF OPERATIONS

Revenue:		
Rents	\$ 1,599,987	\$ 1,548,544
Interest	1,075	3,107
Other	<u>17,868</u>	<u>15,612</u>
Total Revenue	<u>1,618,930</u>	<u>1,567,263</u>
Expenses:		
Administrative	319,986	303,499
Operating And Maintenance	283,883	249,430
Taxes And Insurance	163,628	162,486
Utilities	114,442	101,665
Depreciation And Amortization	781,431	781,209
Interest	500,301	505,442
Other Expenses	<u>150,043</u>	<u>151,397</u>
Total Expenses	<u>2,313,714</u>	<u>2,255,128</u>

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

**For The Years Ended December 31, 2015 And 2014**

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

NET LOSS	<u>\$ (694,784)</u>	<u>\$ (687,865)</u>
THCAH PORTION OF NET LOSS	<u>\$ (33)</u>	<u>\$ (33)</u>

**5. LONG-TERM DEBT**

Notes payable consisted of the following at December 31:

	<u>2015</u>	<u>2014</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.	15,087	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
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; any remaining principal and accrued interest is due March 31, 2055.	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.	734,348	-
Total	<u>1,402,226</u>	<u>59,715</u>
Less: Current portion	<u>9,970</u>	<u>44,628</u>
Long-term portion	<u>\$ 1,392,256</u>	<u>\$ 15,087</u>

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

**For The Years Ended December 31, 2015 And 2014**

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

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

	2016	\$	9,970
	2017		5,117
	2018		-
	2019		-
	2020		-
2021 And Thereafter			<u>1,387,139</u>
Total			<u>\$ 1,402,226</u>

**6. 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 in March of 2017 and can be renewed annually. As of December 31, 2015, the outstanding balance on the line of credit was \$0.

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, 2015 and 2014, the outstanding balance on the line of credit was \$4,890,920 and \$1,474,741, respectively. The line of credit was converted into a permanent loan on June 2, 2016. For the year ending December 31, 2015, interest of \$103,201 and \$7,729, respectively, was incurred, of which \$77,033 and \$7,729, respectively, was capitalized.

**7. TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2015</u>	<u>2014</u>
Housing and Services Support	<u>\$ 530,259</u>	<u>\$ 701,150</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.

**8. CONCENTRATION OF FUNDING RISK**

During 2015, THC 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. THC also received \$2,115,706, approximately 31 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.

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

**For The Years Ended December 31, 2015 And 2014**

**9. LEASE OBLIGATIONS**

THC leases the Partner Arms I apartment building from the District of Columbia under a twenty year, non-cancellable operating lease that 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 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:

2016	\$	110,844
2017		95,480
2018		8,400
2019		8,400
2020		8,400
Thereafter		268,800
Total	\$	500,324

In addition, THC 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 2015. Rent expense for this office space was \$35,886 and \$32,172 for 2015 and 2014, respectively.

**10. RETIREMENT PLAN**

THC maintains a tax deferred annuity retirement plan qualified under section 403(b) of the Internal Revenue Code. Eligible employees may contribute to the plan up to the limits established by law. THC makes matching contributions equal to 20 percent of eligible employees' contributions to the plan. For 2015 and 2014, THC incurred expenses of \$2,804 and \$6,599, respectively.

**11. 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, 2015 and 2014 are \$741,325 and \$7,738 for 2015, and \$741,325 and \$7,738 for 2014, respectively.

On April 14, 2010, THCAH entered into a loan agreement with an affiliate, Webster Gardens, LP. The principal amount of the note is \$369,000, of which \$332,100 was disbursed during the year ended December 31, 2010. An additional \$36,900 was disbursed during 2011. Interest accrues at .25% per annum, compounding annually. All unpaid principal and accrued interest are due on April 14, 2045. The outstanding principal and accrued interest balances as of December 31, 2015 and 2014 are \$369,000 and \$3,934 for 2015, and \$369,000 and \$3,934 for 2014, respectively.

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

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**For The Years Ended December 31, 2015 And 2014**

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### 11. AFFILIATE TRANSACTIONS (CONTINUED)

SPONSOR LOANS RECEIVABLE (CONTINUED) – 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, 2015 and 2014 are \$1,220,000 and \$885,000, respectively, which were eliminated in the consolidation. No interest was accrued for the years ended December 31, 2015 and 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, 2015 and 2014, developer fees receivable totaled \$1,457,931, and \$868,946, respectively. For the years ended December 31, 2015 and 2014, THCAH earned developer fees of \$616,694 and \$332,066, respectively, from Partner Arms 4. For the year ended December 31, 2015, \$474,380 was included in deferred developer fee income on the consolidating statements of financial position, of which \$206,319 was eliminated in the consolidation. For the year ended December 31, 2014, developer fee income of \$332,066 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.

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 2015 and 2014, no operating deficit loans were required.

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# Transitional Housing Corporation And Affiliate

## Notes To Consolidated Financial Statements

### (Continued)

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For The Years Ended December 31, 2015 And 2014

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#### 11. AFFILIATE TRANSACTIONS (CONTINUED)

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.

#### 12. 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, 2015 is as follows:

Cash Received	\$ 147,913
Cash Expenditures	<u>134,369</u>
Available Cash Flow	<u>\$ 13,544</u>

#### 13. 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.

#### 14. 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. Except for the name change noted in Footnote 1 and the line of credit conversion to permanent loan in Footnote 6, 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, 2015**

	THCAH	PA4	Eliminations	Consolidated THCAH	THC	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
Resident Services Receivable	-	-	-	-	-	-	-
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	-	1,810,800
Furniture, Fixtures And Equipment	-	316,282	(20,692)	295,590	248,717	-	544,307
Automobile	-	-	-	-	25,119	-	25,119
<b>Less: Accumulated Depreciation</b>	<b>-</b>	<b>10,367,686</b>	<b>(538,385)</b>	<b>9,829,301</b>	<b>3,548,299</b>	<b>-</b>	<b>13,377,600</b>
	-	(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>-</b>	<b>12,283,452</b>
<b>OTHER ASSETS</b>							
Security Deposit 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
Intangibles Assets	-	173,073	-	173,073	18,120	-	191,193
Reserves	-	42,694	-	42,694	-	-	42,694
Investment In LLCs	(288)	-	-	(288)	-	-	(288)
<b>Total Other Assets</b>	<b>3,799,305</b>	<b>257,167</b>	<b>(1,842,731)</b>	<b>2,213,741</b>	<b>513,862</b>	<b>(433,784)</b>	<b>2,293,819</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,922,801</b>	<b>\$ 10,600,275</b>	<b>\$ (2,375,767)</b>	<b>\$ 12,147,309</b>	<b>\$ 4,670,152</b>	<b>\$ (433,784)</b>	<b>\$ 16,383,677</b>

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

**December 31, 2015**

	THCAH	PA4	Eliminations	Consolidated THCAH	THC	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	-	-	-	-	1,392,256	-	1,392,256
<b>Total Long-Term Liabilities</b>	<b>(474,380)</b>	<b>7,434,179</b>	<b>(2,049,050)</b>	<b>5,859,509</b>	<b>1,392,256</b>	<b>(433,784)</b>	<b>6,817,981</b>
<b>TOTAL LIABILITIES</b>	<b>(474,380)</b>	<b>8,070,635</b>	<b>(2,049,050)</b>	<b>6,495,965</b>	<b>1,924,614</b>	<b>(433,784)</b>	<b>7,986,795</b>
<b>NET ASSETS</b>							
Unrestricted General Fund Non-Controlling	3,448,421	(18)	(326,717)	3,121,686	2,215,279	-	5,336,965
	-	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>2,215,279</b>	<b>-</b>	<b>7,866,623</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>2,745,538</b>	<b>-</b>	<b>8,396,882</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,922,801</b>	<b>\$ 10,600,275</b>	<b>\$ (2,375,767)</b>	<b>\$ 12,147,309</b>	<b>\$ 4,670,152</b>	<b>\$ (433,784)</b>	<b>\$ 16,383,677</b>

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

**December 31, 2014**

	THCAH	PA4	Eliminations	Consolidated THCAH	THC	Eliminations	Total
<b>CURRENT ASSETS</b>							
Cash	\$ 184,025	48	\$ -	\$ 184,073	\$ 606,266	\$ -	\$ 790,339
Grants Receivable	-	-	-	-	441,281	-	441,281
Developer Fees Receivable - Current	1,855	-	-	1,855	-	-	1,855
Resident Services Receivable	-	-	-	-	32,813	-	32,813
Prepaid Insurance	-	-	-	-	7,123	-	7,123
Total Current Assets	185,880	48	-	185,928	1,087,483	-	1,273,411
<b>PROPERTY AND EQUIPMENT</b>							
Land	-	1,000,000	-	1,000,000	85,000	-	1,085,000
Buildings And Improvements	-	1,275,000	-	1,275,000	1,377,383	-	2,652,383
Leasehold Improvements	-	-	-	-	194,471	-	194,471
Furniture, Fixtures And Equipment	-	-	-	-	182,447	-	182,447
Automobile	-	-	-	-	25,119	-	25,119
Less: Accumulated Depreciation	-	2,275,000	-	2,275,000	1,864,420	-	4,139,420
	-	-	-	-	931,807	-	931,807
Total Property And Equipment	-	2,275,000	-	2,275,000	932,613	-	3,207,613
<b>OTHER ASSETS</b>							
Security Deposits Receivable	-	-	-	-	60,309	-	60,309
Sponsor Loans Receivable	2,078,697	-	(956,700)	1,121,997	-	-	1,121,997
Due From Affiliate	94,386	-	-	94,386	-	(94,386)	-
Developer Fees Receivable - Long-Term	867,091	-	(188,435)	678,656	-	-	678,656
Project Development Costs	-	-	-	-	82,832	-	82,832
Construction In Progress	-	1,933,087	(332,066)	1,601,021	-	-	1,601,021
Investment In LLCs	(255)	-	-	(255)	-	-	(255)
Total Other Assets	3,039,919	1,933,087	(1,477,201)	3,495,805	143,141	(94,386)	3,544,560
<b>TOTAL ASSETS</b>	\$ 3,225,799	\$ 4,208,135	\$ (1,477,201)	\$ 5,956,733	\$ 2,163,237	\$ (94,386)	\$ 8,025,584

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

**December 31, 2014**

	THCAH	PA4	Eliminations	Consolidated THCAH	THC	Eliminations	Total
<b>CURRENT LIABILITIES</b>							
Accounts Payable And Accrued Expenses	\$ -	\$ -	\$ -	\$ -	\$ 90,661	\$ -	\$ 90,661
Accounts Payable - Construction	44,598	241,319	-	285,917	-	-	285,917
Current Portion Of Long-Term Debt	-	-	-	-	44,628	-	44,628
Deposits	-	-	-	-	10,897	-	10,897
<b>Total Current Liabilities</b>	<b>44,598</b>	<b>241,319</b>	<b>-</b>	<b>285,917</b>	<b>146,186</b>	<b>-</b>	<b>432,103</b>
<b>LONG-TERM LIABILITIES</b>							
Due To Affiliates	-	71,700	(71,700)	-	94,386	(94,386)	-
Line Of Credit	-	-	-	-	98,836	-	98,836
Construction Loan Line Of Credit	-	1,474,741	-	1,474,741	-	-	1,474,741
Developer Fee Payable	-	188,435	(188,435)	-	-	-	-
Sponsor Loan	-	885,000	(885,000)	-	-	-	-
Long-Term Debt - Less Current Portion	-	-	-	-	15,087	-	15,087
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>2,619,876</b>	<b>(1,145,135)</b>	<b>1,474,741</b>	<b>208,309</b>	<b>(94,386)</b>	<b>1,588,664</b>
<b>TOTAL LIABILITIES</b>	<b>44,598</b>	<b>2,861,195</b>	<b>(1,145,135)</b>	<b>1,760,658</b>	<b>354,495</b>	<b>(94,386)</b>	<b>2,020,767</b>
<b>NET ASSETS</b>							
Unrestricted							
General Fund	3,181,201	-	(332,066)	2,849,135	1,107,592	-	3,956,727
Non-Controlling	-	1,346,940	-	1,346,940	-	-	1,346,940
<b>Total Unrestricted</b>	<b>3,181,201</b>	<b>1,346,940</b>	<b>(332,066)</b>	<b>4,196,075</b>	<b>1,107,592</b>	<b>-</b>	<b>5,303,667</b>
Temporarily Restricted	-	-	-	-	701,150	-	701,150
<b>Total Net Assets</b>	<b>3,181,201</b>	<b>1,346,940</b>	<b>(332,066)</b>	<b>4,196,075</b>	<b>1,808,742</b>	<b>-</b>	<b>6,004,817</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,225,799</b>	<b>\$ 4,208,135</b>	<b>\$ (1,477,201)</b>	<b>\$ 5,956,733</b>	<b>\$ 2,163,237</b>	<b>\$ (94,386)</b>	<b>\$ 8,025,584</b>

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

**For The Year Ended December 31, 2015**

	Unrestricted						Total - Unrestricted
	Consolidated						
	THCAH	PA4	Eliminations	THCAH	THC	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	-	-	343,647
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>(409,364)</b>	<b>6,338,049</b>
<b>EXPENSES</b>							
Program Services:							
Resident Services	-	-	-	-	2,949,627	-	2,949,627
Building Operations	-	-	-	-	820,789	-	820,789
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>3,907,413</b>	<b>(409,364)</b>	<b>4,164,816</b>
Supporting Services:							
Management And General Fundraising	2,263	-	-	2,263	657,114	-	659,377
	-	-	-	-	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>4,880,019</b>	<b>(409,364)</b>	<b>5,139,685</b>
<b>Change In Net Assets</b>	<b>267,220</b>	<b>(181,892)</b>	<b>5,349</b>	<b>90,677</b>	<b>1,107,687</b>	<b>-</b>	<b>1,198,364</b>
Net Assets At December 31, 2014							
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, 2015</b>	<b>3,181,201</b>	<b>-</b>	<b>(332,066)</b>	<b>2,849,135</b>	<b>1,107,592</b>	<b>-</b>	<b>3,956,727</b>
Attributable To THC							
Capital Contributions - Non-Controlling	-	1,364,592	-	1,364,592	-	-	1,364,592
Net Assets At December 31, 2015							
Before Non-Controlling Interest	3,448,421	2,529,640	(326,717)	5,651,344	2,215,279	-	7,866,623
Non-Controlling Interest	-	(2,529,658)	-	(2,529,658)	-	-	(2,529,658)
<b>Net Assets At December 31, 2015</b>	<b>3,448,421</b>	<b>(18)</b>	<b>(326,717)</b>	<b>3,121,686</b>	<b>2,215,279</b>	<b>-</b>	<b>5,336,965</b>
Attributable To THC							
	\$ 3,448,421	\$ (18)	\$ (326,717)	\$ 3,121,686	\$ 2,215,279	\$ -	\$ 5,336,965

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

**For The Year Ended December 31, 2015**

	Temporarily Restricted							Total Consolidated
	THCAH	PA4	Eliminations	THCAH	THC	Eliminations	Total - Restricted	
<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	-	-	-	-	-	-	-	343,647
Net Assets Released From Purpose Related Restrictions	-	-	-	(672,200)	-	-	(672,200)	-
<b>Total Revenue</b>	-	-	-	(170,891)	-	-	(170,891)	6,167,158
<b>EXPENSES</b>								
Program Services:								
Resident Services	-	-	-	-	-	-	-	2,949,627
Building Operations	-	-	-	-	-	-	-	820,789
Affordable Housing	-	-	-	-	-	-	-	394,400
<b>Total Program Services Expenses</b>	-	-	-	-	-	-	-	4,164,816
Supporting Services:								
Management And General Fundraising	-	-	-	-	-	-	-	659,377
	-	-	-	-	-	-	-	315,492
<b>Total Supporting Services Expenses</b>	-	-	-	-	-	-	-	974,869
<b>Total Expenses</b>	-	-	-	-	-	-	-	5,139,685
<b>Change In Net Assets</b>	-	-	-	(170,891)	-	-	(170,891)	1,027,473
<b>Net Assets At December 31, 2014 Before Non-Controlling Interest</b>	-	-	-	701,150	-	-	701,150	6,004,817
<b>Non-Controlling Interest</b>	-	-	-	-	-	-	-	1,346,940
<b>Net Assets At December 31, 2014 Attributable To THC</b>	-	-	-	-	-	-	-	3,956,727
<b>Capital Contributions - Non-Controlling</b>	-	-	-	-	-	-	-	1,364,592
<b>Net Assets At December 31, 2015 Before Non-Controlling Interest</b>	-	-	-	530,259	-	-	530,259	8,396,882
<b>Non-Controlling Interest</b>	-	-	-	-	-	-	-	(2,529,658)
<b>Net Assets At December 31, 2015 Attributable To THC</b>	\$ -	\$ -	\$ -	\$ 530,259	\$ -	\$ -	\$ 530,259	\$ 5,867,224

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

**For The Year Ended December 31, 2014**

	Unrestricted						Total - Unrestricted
	Consolidated						
	THCAH	PA4	Eliminations	THCAH	THC	Eliminations	
<b>REVENUE</b>							
Government Contracts & Grants	-	-	-	-	\$ 3,149,875	-	\$ 3,149,875
Corporate/Individual Contributions	890,216	-	-	890,216	660,464	(100,000)	1,450,680
In-Kind Donations	-	-	-	-	49,526	-	49,526
Rental Revenue	-	-	-	-	19,046	-	19,046
Investment And Other Income	2,987	-	-	2,987	25,290	-	28,277
Resident Services Fees	-	-	-	-	70,215	-	70,215
Management Fees	-	-	-	-	175,431	(175,431)	-
Developer Fee Income	332,066	-	(332,066)	-	-	-	-
Net Assets Released From Purpose Related Restrictions	29,000	-	-	29,000	882,350	-	911,350
<b>Total Revenue</b>	<u>1,254,269</u>	<u>-</u>	<u>(332,066)</u>	<u>922,203</u>	<u>5,032,197</u>	<u>(275,431)</u>	<u>5,678,969</u>
<b>EXPENSES</b>							
Program Services:							
Resident Services	65,996	-	-	65,996	3,068,138	-	3,134,134
Building Operations	6,106	-	-	6,106	926,579	-	932,685
Affordable Housing Outreach	275,686	-	-	275,686	214,306	(275,431)	214,561
<b>Total Program Services Expenses</b>	<u>347,788</u>	<u>-</u>	<u>-</u>	<u>347,788</u>	<u>4,209,023</u>	<u>(275,431)</u>	<u>4,281,380</u>
Supporting Services: Management And General Fundraising	2,700	-	-	2,700	657,861	-	660,561
	-	-	-	-	376,145	-	376,145
<b>Total Supporting Services Expenses</b>	<u>2,700</u>	<u>-</u>	<u>-</u>	<u>2,700</u>	<u>1,034,006</u>	<u>-</u>	<u>1,036,706</u>
<b>Total Expenses</b>	<u>350,488</u>	<u>-</u>	<u>-</u>	<u>350,488</u>	<u>5,243,029</u>	<u>(275,431)</u>	<u>5,318,086</u>
<b>Change In Net Assets</b>	<u>903,781</u>	<u>-</u>	<u>(332,066)</u>	<u>571,715</u>	<u>(210,832)</u>	<u>-</u>	<u>360,883</u>
<b>Net Assets At December 31, 2013</b>	<u>2,277,420</u>	<u>-</u>	<u>-</u>	<u>2,277,420</u>	<u>1,318,424</u>	<u>-</u>	<u>3,595,844</u>
<b>Capital Contributions - Non-Controlling</b>	<u>-</u>	<u>1,346,940</u>	<u>-</u>	<u>1,346,940</u>	<u>-</u>	<u>-</u>	<u>1,346,940</u>
<b>Net Assets At December 31, 2014 Before Non-Controlling Interest</b>	<u>3,181,201</u>	<u>1,346,940</u>	<u>(332,066)</u>	<u>4,196,075</u>	<u>1,107,592</u>	<u>-</u>	<u>5,303,667</u>
<b>Non-Controlling Interest</b>	<u>-</u>	<u>(1,346,940)</u>	<u>-</u>	<u>(1,346,940)</u>	<u>-</u>	<u>-</u>	<u>(1,346,940)</u>
<b>Net Assets At December 31, 2014 Attributable To THC</b>	<u>\$ 3,181,201</u>	<u>\$ -</u>	<u>\$ (332,066)</u>	<u>\$ 2,849,135</u>	<u>\$ 1,107,592</u>	<u>\$ -</u>	<u>\$ 3,956,727</u>



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

**For The Year Ended December 31, 2014**

	Temporarily Restricted							Total Consolidated
	THCAH	PAA	Eliminations	THCAH	THC	Eliminations	Total - Restricted	
<b>REVENUE</b>								
Government Contracts & Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,149,875
Corporate/Individual Contributions	-	-	-	701,150	-	-	701,150	2,151,830
In-Kind Donations	-	-	-	-	-	-	-	49,526
Rental Revenue	-	-	-	-	-	-	-	19,046
Investment And Other Income	-	-	-	-	-	-	-	28,277
Resident Services Fees	-	-	-	-	-	-	-	70,215
Management Fees	-	-	-	-	-	-	-	-
Developer Fee Income	-	-	-	-	-	-	-	-
Net Assets Released From Purpose Related Restrictions	(29,000)	-	-	(29,000)	(882,350)	-	(911,350)	-
<b>Total Revenue</b>	<b>(29,000)</b>	<b>-</b>	<b>-</b>	<b>(29,000)</b>	<b>(181,200)</b>	<b>-</b>	<b>(210,200)</b>	<b>5,466,769</b>
<b>EXPENSES</b>								
Program Services:								
Resident Services	-	-	-	-	-	-	-	3,134,134
Building Operations	-	-	-	-	-	-	-	932,685
Affordable Housing Outreach	-	-	-	-	-	-	-	214,561
<b>Total Program Services Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,281,380</b>
Supporting Services:								
Management And General Fundraising	-	-	-	-	-	-	-	660,561
	-	-	-	-	-	-	-	376,145
<b>Total Supporting Services Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,036,706</b>
<b>Total Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,318,086</b>
<b>Change In Net Assets</b>	<b>(29,000)</b>	<b>-</b>	<b>-</b>	<b>(29,000)</b>	<b>(181,200)</b>	<b>-</b>	<b>(210,200)</b>	<b>150,683</b>
<b>Net Assets At December 31, 2013</b>	<b>29,000</b>	<b>-</b>	<b>-</b>	<b>29,000</b>	<b>882,350</b>	<b>-</b>	<b>911,350</b>	<b>4,507,194</b>
<b>Capital Contributions - Non-Controlling</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,346,940</b>
<b>Net Assets At December 31, 2014 Before Non-Controlling Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>701,150</b>	<b>-</b>	<b>701,150</b>	<b>6,004,817</b>
<b>Non-Controlling Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,346,940)</b>
<b>Net Assets At December 31, 2014 Attributable To THC</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 701,150</b>	<b>\$ -</b>	<b>\$ 701,150</b>	<b>\$ 4,657,877</b>

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

**For The Year Ended December 31, 2015**

	THCAH	PA4	Eliminations	Consolidated THCAH	THC	Eliminations	Total
<b>CONSOLIDATING CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Change In Net Assets	\$ 267,220	\$ (181,892)	\$ 5,349	\$ 90,677	\$ 936,796	\$ -	\$ 1,027,473
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	79,454	-	162,341
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 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>-</b>	<b>1,342,170</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)	-	(1,683,879)
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>433,784</b>	<b>(3,698,269)</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 And Affiliate**  
**Consolidating Statement Of Cash Flows**  
**(Continued)**

**For The Year Ended December 31, 2015**

	THCAH	PA4	Eliminations	Consolidated		Eliminations	Total
				THCAH	THC		
<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)
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

**For The Year Ended December 31, 2014**

	THCAH	PA4	Eliminations	Consolidated THCAH	THC	Eliminations	Total
<b>CONSOLIDATING CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Change In Net Assets	\$ 874,781	\$ -	\$ (332,066)	\$ 542,715	\$ (392,032)	\$ -	\$ 150,683
Adjustments To Reconcile Change In Net Assets To Net Cash Used In Operating Activities							
Depreciation And Amortization	-	-	-	-	74,756	-	74,756
Loss From Investment In LLCs	55	-	-	55	-	-	55
(Increase) Decrease In Operating Assets							
Grants Receivable	25,000	-	-	25,000	(24,279)	-	721
Developer Fees Receivable	46,074	-	-	46,074	-	-	46,074
Prepaid Insurance	-	-	-	-	(7,123)	-	(7,123)
Resident Services Receivable	-	-	-	-	(13,583)	-	(13,583)
Security Deposits Receivable	-	-	-	-	899	-	899
Increase (Decrease) In Operating Liabilities							
Accounts Payable And Accrued Expenses	(32,341)	-	-	(32,341)	3,994	-	(28,347)
Deposits	-	-	-	-	3,643	-	3,643
Net Cash Provided By (Used In) Operating Activities	913,569	-	(332,066)	581,503	(353,725)	-	227,778
<b>CONSOLIDATING CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Construction Costs Paid	(584,909)	(292,237)	-	(877,146)	-	-	(877,146)
Increase In Sponsor Loans Receivable	(2,776)	-	-	(2,776)	-	-	(2,776)
Increase In Project Development Costs	-	-	-	-	(82,832)	-	(82,832)
Increase (Decrease) In Due From Affiliates	(166,087)	71,701	-	(94,386)	-	94,386	-
Net Cash Used In Investing Activities	(753,772)	(220,536)	-	(974,308)	(82,832)	94,386	(962,754)
<b>CONSOLIDATING CASH FLOWS FROM FINANCING ACTIVITIES:</b>							
Capital Contributions	-	1,346,940	-	1,346,940	-	-	1,346,940
Proceeds On Long-Term Debt	-	-	-	-	62,070	-	62,070
Principal Payments On Long-Term Debt	(31,914)	(2,601,096)	-	(2,633,010)	(5,623)	-	(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	-	-	1,474,741
Increase In Due To Affiliates	-	-	-	-	94,386	(94,386)	-
Net Cash Provided By Financing Activities	(31,914)	220,585	-	188,671	249,669	(94,386)	343,954
Net Decrease In Cash	127,883	49	(332,066)	(204,134)	(186,888)	-	(391,022)
Cash - Beginning Of Year	388,207	-	-	388,207	793,154	-	1,181,361
Cash - End Of Year	\$ 516,090	\$ 49	\$ (332,066)	\$ 184,073	\$ 606,266	\$ -	\$ 790,339

See Accompanying Notes To The Consolidated Financial Statements

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

	THCAH	PA4	Eliminations	Consolidated THCAH	THC	Eliminations	Total
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>							
Cash Paid During The Year For:							
Interest	\$ -	\$ 7,729	\$ -	\$ 7,729	\$ 1,128	\$ -	\$ 8,857
<b>SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING AND FINANCING ACTIVITIES:</b>							
Accounts Payable - Construction	-	285,917	-	285,917	-	-	285,917
Increase In Construction In Progress	-	(285,917)	-	(285,917)	-	-	(285,917)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**December 31, 2015**

<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		<u>877,059</u>
Total Expenditures		<u>877,059</u>
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		<u>1,511,219</u>
Total Expenditures		<u>1,511,219</u>
Total		<u>\$ 2,388,278</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, 2015. 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 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

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**December 31, 2015**

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<sup>1</sup> Continuum of Care Homeless Assistance Program – PA I Contract	\$	135,019
Community Partnership for the Prevention of Homelessness – PA II Contract		131,144
Community Partnership for the Prevention of Homelessness – Housing with Care		415,896
Community Partnership for the Prevention of Homelessness – Homeward FRP		195,000
	\$	<u>877,059</u>
<sup>2</sup> Community Partnership for the Prevention of Homelessness – DHS PA III Contract	\$	560,560
Community Partnership for the Prevention of Homelessness – DHS FRSP		871,847
Community Partnership for the Prevention of Homelessness – Homeward FRP		78,812
	\$	<u>1,511,219</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 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 And Affiliate, which comprise the consolidated statement of financial position as of December 31, 2015, 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 8, 2016.

***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  
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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  
August 8, 2016

**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 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 *OMB Compliance Supplement* 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, 2015. 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 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 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

Transitional Housing Corporation And Affiliate  
Independent Auditors' Report On Compliance  
For Each Major Program And On Internal Control  
Over Compliance Required By The Uniform Guidance  
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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 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, 2015.

***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 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 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  
For Each Major Program And On Internal Control  
Over Compliance Required By The Uniform Guidance  
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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Hertzbach & Company, P.A.*

Owings Mills, Maryland  
August 8, 2016

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

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**For The Year Ended December 31, 2015**

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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 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: Supportive Housing Program #14.235.
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