

# Transitional Housing Corporation And Affiliate

## Consolidated Financial Statements

For The Years Ended  
December 31, 2013 And 2012



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

# Transitional Housing Corporation And Affiliate

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For The Years Ended December 31, 2013 And 2012

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*Certified Public Accountants & Consultants*

## **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, 2013 and 2012, 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, 2013 and 2012, 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 19 to 24 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 25-26 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 August 13, 2014 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.*

Certified Public Accountants

Owings Mills, Maryland  
August 13, 2014

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)  
(410) 363-3200

**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

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

<b>December 31,</b>	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,181,361	\$ 1,797,946
Grants Receivable	442,002	249,110
Current Portion Of Developer Fees Receivable	46,073	32,271
Resident Services Receivable	19,230	17,193
	<u>1,688,666</u>	<u>2,096,520</u>
Total Current Assets		
<b>PROPERTY AND EQUIPMENT</b>		
Land	1,085,000	85,000
Buildings And Improvements	2,652,383	1,359,208
Leasehold Improvements	194,471	176,630
Furniture, Fixtures And Equipment	182,447	176,462
Automobile	25,119	25,119
	<u>4,139,420</u>	<u>1,822,419</u>
Less: Accumulated Depreciation	857,051	768,169
	<u>3,282,369</u>	<u>1,054,250</u>
Total Property And Equipment		
<b>OTHER ASSETS</b>		
Security Deposits Receivable	61,208	61,208
Sponsor Loans Receivable	1,119,221	1,116,446
Developer Fees Receivable - Less Current Portion	680,512	726,585
Project Development Costs	437,958	95,588
	<u>2,298,899</u>	<u>1,999,827</u>
Total Other Assets		
<b>TOTAL ASSETS</b>	<u><u>\$ 7,269,934</u></u>	<u><u>\$ 5,150,597</u></u>

See Accompanying Notes To The Consolidated Financial Statements

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

<b>December 31,</b>	<b>2013</b>	<b>2012</b>
<b>Liabilities And Net Assets</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable And Accrued Expenses	\$ 119,208	\$ 135,214
Current Portion Of Long-Term Debt	2,604,364	5,143
Deposits	<u>7,254</u>	<u>10,670</u>
 Total Current Liabilities	 <u>2,730,826</u>	 <u>151,027</u>
 <b>LONG-TERM LIABILITIES</b>		
Long-Term Debt - Less Current Portion	<u>31,914</u>	<u>3,665</u>
 Total Long-Term Liabilities	 <u>31,914</u>	 <u>3,665</u>
 <b>TOTAL LIABILITIES</b>	 <u>2,762,740</u>	 <u>154,692</u>
 <b>NET ASSETS</b>		
Unrestricted	3,595,844	4,021,909
Temporarily Restricted	<u>911,350</u>	<u>973,996</u>
 Total Net Assets	 <u>4,507,194</u>	 <u>4,995,905</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 7,269,934</u>	 <u>\$ 5,150,597</u>



**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
<b>REVENUE</b>			
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)	-
<b>Total Revenue</b>	<b>4,669,229</b>	<b>(62,646)</b>	<b>4,606,583</b>
<b>EXPENSES</b>			
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
<b>Total Program Services Expenses</b>	<b>4,114,820</b>	<b>-</b>	<b>4,114,820</b>
Supporting Services:			
Management And General	728,014	-	728,014
Fundraising	252,460	-	252,460
<b>Total Supporting Services Expenses</b>	<b>980,474</b>	<b>-</b>	<b>980,474</b>
<b>Total Expenses</b>	<b>5,095,294</b>	<b>-</b>	<b>5,095,294</b>
<b>Change In Net Assets</b>	<b>(426,065)</b>	<b>(62,646)</b>	<b>(488,711)</b>
<b>Net Assets At December 31, 2012</b>	<b>4,021,909</b>	<b>973,996</b>	<b>4,995,905</b>
<b>Net Assets At December 31, 2013</b>	<b>\$ 3,595,844</b>	<b>\$ 911,350</b>	<b>\$ 4,507,194</b>

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, 2012**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE</b>			
Government Contracts & Grants	\$ 3,232,585	\$ -	\$ 3,232,585
Corporate/Individual Contributions	222,337	973,995	1,196,332
In-Kind Donations	55,302	-	55,302
Rental Revenue	26,237	-	26,237
Special Events Revenue	54,091	-	54,091
Investment And Other Income	47,789	-	47,789
Resident Services Fees	44,824	-	44,824
Net Assets Released From Purpose Related Restrictions	420,688	(420,688)	-
<b>Total Revenue</b>	<b>4,103,853</b>	<b>553,307</b>	<b>4,657,160</b>
<b>EXPENSES</b>			
Program Services:			
Resident Services	2,151,908	-	2,151,908
Building Operations	1,086,910	-	1,086,910
Affordable Housing	166,703	-	166,703
Outreach	58,030	-	58,030
<b>Total Program Services Expenses</b>	<b>3,463,551</b>	<b>-</b>	<b>3,463,551</b>
Supporting Services:			
Management And General	655,946	-	655,946
Fundraising	186,374	-	186,374
<b>Total Supporting Services Expenses</b>	<b>842,320</b>	<b>-</b>	<b>842,320</b>
<b>Total Expenses</b>	<b>4,305,871</b>	<b>-</b>	<b>4,305,871</b>
<b>Change In Net Assets</b>	<b>(202,018)</b>	<b>553,307</b>	<b>351,289</b>
<b>Net Assets At December 31, 2011</b>	<b>4,223,927</b>	<b>420,689</b>	<b>4,644,616</b>
<b>Net Assets At December 31, 2012</b>	<b>\$ 4,021,909</b>	<b>\$ 973,996</b>	<b>\$ 4,995,905</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, 2013**

	Program Services				Supporting Services			Total Supporting Services	Total Expenses
	Resident Services	Building Operations	Affordable Housing	Outreach	Total Program Services	Management and General	Fundraising		
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
Taxes, Licenses And Fees	-	-	-	-	-	-	-	-	-
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
Marketing	-	-	-	-	-	-	-	-	-
Printing And Duplicating	-	-	-	-	-	2,801	-	2,801	2,801
Postage And Shipping	-	-	-	-	-	-	-	-	-
Operating Costs	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	29,428	-	29,428	29,428
Membership Dues And Fees	-	-	-	-	-	-	-	-	-
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>

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

**For The Year Ended December 31, 2012**

	Program Services				Supporting Services			Total Expenses	
	Resident Services	Building Operations	Affordable Housing	Outreach	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 1,535,321	\$ 72,222	\$ 99,267	\$ 48,819	\$ 1,755,629	\$ 322,062	\$ 122,503	\$ 444,565	\$ 2,200,194
Accounting And Legal	-	-	-	-	-	23,700	-	23,700	23,700
Payroll Taxes And Fringe Benefits	117,547	5,405	8,832	3,603	135,387	65,166	8,970	74,136	209,523
Repairs And Maintenance	-	355,476	-	-	355,476	7,421	-	7,421	362,897
Depreciation And Amortization	-	119,692	-	-	119,692	-	-	-	119,692
Utilities	-	54,523	-	-	54,523	-	-	-	54,523
Rent	89,343	293,978	-	-	383,321	33,386	-	33,386	416,707
Insurance	165,144	103,455	-	-	268,599	70,680	-	70,680	339,279
Telephone And Internet Access	-	71,437	-	-	71,437	-	-	-	71,437
Supplies	-	8,036	-	-	8,036	13,737	-	13,737	21,773
Enrichment Activities	-	-	-	-	-	12,967	-	12,967	12,967
Taxes, Licenses And Fees	-	2,686	45	-	2,731	600	-	600	3,331
Youth Services	57,928	-	-	-	57,928	-	-	-	57,928
Family Services	99,345	-	-	-	99,345	-	-	-	99,345
Miscellaneous	-	-	54,176	-	54,176	13,952	6,999	20,951	75,127
Other Professional Fees	87,280	-	4,383	5,608	97,271	51,209	-	51,209	148,480
Marketing	-	-	-	-	-	810	-	810	810
Printing And Duplicating	-	-	-	-	-	14,573	-	14,573	14,573
Postage And Shipping	-	-	-	-	-	2,677	-	2,677	2,677
Travel	-	-	-	-	-	17,819	-	17,819	17,819
Membership Dues And Fees	-	-	-	-	-	4,745	-	4,745	4,745
Special Events	-	-	-	-	-	-	47,902	47,902	47,902
Interest	-	-	-	-	-	442	-	442	442
	<u>\$ 2,151,908</u>	<u>\$ 1,086,910</u>	<u>\$ 166,703</u>	<u>\$ 58,030</u>	<u>\$ 3,463,551</u>	<u>\$ 655,946</u>	<u>\$ 186,374</u>	<u>\$ 842,320</u>	<u>\$ 4,305,871</u>

See Accompanying Notes To The Consolidated Financial Statements

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

<b>For The Years Ended December 31,</b>	<b>2013</b>	<b>2012</b>
<b>CONSOLIDATED CASH FLOWS FROM</b>		
<b>OPERATING ACTIVITIES:</b>		
Change In Net Assets	\$ (488,711)	\$ 351,289
Adjustments To Reconcile Change In Net Assets To		
Net Cash Provided By (Used In) Operating Activities		
Depreciation And Amortization	88,882	119,692
(Increase) Decrease In Operating Assets		
Grants Receivable	(192,892)	51,560
Developer Fees Receivable	32,271	474,714
Resident Services Receivable	(2,037)	(17,193)
Prepaid Expenses	-	17,047
Employee Receivable	-	116,147
Security Deposits Receivable	-	(32,457)
Increase (Decrease) In Operating Liabilities		
Accounts Payable And Accrued Expenses	(16,005)	65,332
Deposits	(3,416)	4,270
Due To Affiliate	-	(116,147)
	<u>(581,908)</u>	<u>1,034,254</u>
Net Cash Provided By (Used In) Operating Activities	<u>(581,908)</u>	<u>1,034,254</u>
<b>CONSOLIDATED CASH FLOWS FROM</b>		
<b>INVESTING ACTIVITIES:</b>		
Acquisition Of Property And Equipment	(2,317,002)	(31,571)
Increase In Sponsor Loans Receivable	(2,775)	(2,776)
Increase In Project Development Costs	(342,370)	(95,588)
	<u>(2,662,147)</u>	<u>(129,935)</u>
Net Cash Used In Investing Activities	<u>(2,662,147)</u>	<u>(129,935)</u>
<b>CONSOLIDATED CASH FLOWS FROM</b>		
<b>FINANCING ACTIVITIES:</b>		
Proceeds On Long-Term Debt	2,635,356	-
Principal Payments On Long-Term Debt	(7,886)	(8,425)
	<u>2,627,470</u>	<u>(8,425)</u>
Net Cash Provided By (Used In) Financing Activities	<u>2,627,470</u>	<u>(8,425)</u>
Net Increase (Decrease) In Cash	(616,585)	895,894
Cash - Beginning Of Year	<u>1,797,946</u>	<u>902,052</u>
Cash - End Of Year	<u>\$ 1,181,361</u>	<u>\$ 1,797,946</u>

See Accompanying Notes To The Consolidated Financial Statements

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

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<b>For The Years Ended December 31,</b>	<b>2013</b>	<b>2012</b>
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During The Year For:

Interest

\$ 159	\$ 442
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# Transitional Housing Corporation And Affiliate

## Notes To Consolidated Financial Statements

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For The Years Ended December 31, 2013 And 2012

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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 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.

On January 29, 2013, Partner Arms 4 LLC, of which THCAH is the sole member, was formed. Partner Arms 4 purchased 3 buildings in Washington, DC for \$2,275,000 to be used for future supportive housing.

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

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

BASIS OF PRESENTATION – The Corporation complies with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*, and is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Due to purpose restrictions, six of the grants to the Corporation are temporarily restricted as of December 31, 2013 and seven of the grants to the Corporation were temporarily restricted as of December 31, 2012. All other net assets of the Corporation are unrestricted as of December 31, 2013 and 2012.

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.

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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, 2013 And 2012**

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

IMPAIRMENT OF LONG-LIVED ASSETS – The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There have been no asset impairments as of December 31, 2013 and 2012.

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 \$437,550 and \$95,558 during the year ended December 31, 2013 and 2012, 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, 2013 and 2012. Accordingly, no provision for income taxes has been included in the accompanying consolidated financial statements.

The Corporation has adopted FASB ASC 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes. Based on its evaluation, the Corporation has concluded that there are no significant uncertain tax positions requiring recognition in the consolidated financial statements. No interest or penalties have been recorded as a result of tax uncertainties. The tax years ended December 31, 2010 through December 31, 2013 remain open to examination by tax jurisdictions to which the Corporation is subject.

CASH AND CASH EQUIVALENTS – The Corporation considers all highly liquid investments with a maturity of three months or less at the date of acquisition and money market funds to be cash equivalents. There were no cash equivalents as of December 31, 2013 and 2012.

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 2013 and 2012, the Corporation received in-kind donations of professional services, construction materials, services related to the refurbishing of apartment units and other goods valued at \$55,549 and \$55,302, respectively, which are reported as in-kind donations in the accompanying consolidated statements of activities and changes in net assets. During 2013 and 2012, the Corporation also received approximately 2,765 and 916 hours of donated services, respectively, from volunteers in support of its programs that do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

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



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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, 2013 And 2012**

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

**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, 2013 and 2012, cash balances exceeded the insured limits by \$5,312 and \$231,413, 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.

The summarized combined balance sheets of the Operating Partnerships for which THCAH has an investment through the general partner entity at December 31, 2013 and 2012 and the summarized combined statements of operations for the years then ended are as follows:

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

**For The Years Ended December 31, 2013 And 2012**

**3. INVESTMENT IN INVESTING ENTITIES (CONTINUED)**

COMBINED BALANCE SHEETS

ASSETS

	<u>2013</u>	<u>2012</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	(2,225,269)	(1,492,801)
	27,490,921	28,223,389
Other Assets:		
Cash	279,362	190,821
Accounts Receivable	36,054	24,051
Prepaid Expenses	44,160	42,673
Intangibles	1,054,733	1,103,474
Escrows And Reserves	1,533,347	1,501,691
	2,947,656	2,862,710
 TOTAL ASSETS	 \$ 30,438,577	 \$ 31,086,099

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

**For The Years Ended December 31, 2013 And 2012**

**3. INVESTMENT IN INVESTING ENTITIES (CONTINUED)**

LIABILITIES AND PARTNERS' EQUITY

	<u>2013</u>	<u>2012</u>
Liabilities Applicable To Real Estate:		
Mortgage And Bonds Payable	\$ 8,437,522	\$ 8,522,627
Notes And Loans Payable	<u>14,565,645</u>	<u>14,565,645</u>
Total Liabilities Applicable To Real Estate	<u>23,003,167</u>	<u>23,088,272</u>
Other Liabilities:		
Accounts Payable	23,840	4,391
Accrued Expenses	45,782	33,011
Tenant Security Deposit	72,486	64,164
Due To Related Party	1,425,791	1,618,818
Other Liabilities	<u>386,051</u>	<u>342,341</u>
Total Other Liabilities	<u>1,953,950</u>	<u>2,062,725</u>
Total Liabilities	<u>24,957,117</u>	<u>25,150,997</u>
Partners' Equity	<u>5,481,460</u>	<u>5,935,102</u>
<b>TOTAL LIABILITIES AND PARTNERS' EQUITY</b>	<b><u>\$ 30,438,577</u></b>	<b><u>\$ 31,086,099</u></b>

COMBINED STATEMENTS OF OPERATIONS

Revenue:		
Rents	\$ 1,532,988	\$ 1,504,142
Interest	547	78,816
Other	<u>126,994</u>	<u>97,045</u>
Total Revenue	<u>1,660,529</u>	<u>1,680,003</u>
Expenses:		
Administrative	275,337	296,305
Operating And Maintenance	170,215	152,238
Taxes And Insurance	150,164	179,626
Utilities	74,517	61,739
Depreciation And Amortization	781,209	779,417
Interest	510,020	480,385
Other Expenses	<u>152,709</u>	<u>224,643</u>
Total Expenses	<u>2,114,171</u>	<u>2,174,353</u>
NET LOSS	<b><u>\$ (453,642)</u></b>	<b><u>\$ (494,350)</u></b>
THCAH PORTION OF NET LOSS	<b><u>\$ (22)</u></b>	<b><u>\$ (44)</u></b>

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

**For The Years Ended December 31, 2013 And 2012**

**4. LONG-TERM DEBT**

Notes payable consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Mortgage loan of \$20,000 collateralized by building and land located at 4506 Georgia Avenue (Partner Arms II). Interest accrues at 1% per annum; monthly principal and interest payments are \$175.	\$ -	\$ 20
Mortgage loan of \$13,929 collateralized by building and Land located at 4506 Georgia Avenue (Partner Arms II). Interest accrues at 3.5% per annum; monthly principal and interest payments are \$471; any remaining principal is due July 1, 2014.	3,268	8,788
Note payable of \$1,137,500 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 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 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. Payment due at the close of construction financing	100,000	-
Note payable of \$350,000 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	<u>260,356</u>	<u>-</u>

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

**For The Years Ended December 31, 2013 And 2012**

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

	2,636,278	8,808
Less: Current portion	<u>2,604,364</u>	<u>5,143</u>
Long-term portion	<u>\$ 31,914</u>	<u>\$ 3,665</u>

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

2014	\$ 2,604,364
2015	3,372
2016	3,509
2017	3,652
2018	3,801
Thereafter	<u>17,580</u>
Total	<u>\$ 2,636,278</u>

**5. TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2013</u>	<u>2012</u>
Housing and Services Support	<u>\$ 911,350</u>	<u>\$ 973,996</u>

**6. CONCENTRATION OF FUNDING RISK**

During 2013, THC received \$1,692,647, approximately 36 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 \$1,319,130, approximately 28 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.

**7. LEASE OBLIGATIONS**

THC leases the Partner Arms I apartment building from the District of Columbia under a twenty year, non-cancellable operating lease that expires in January, 2013. The lease term will be 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 two year operating lease expiring in October, 2014. The terms of the lease require THC to pay monthly installments of \$7,400 and \$7,548 in the first and second year of the lease term, respectively.

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

**For The Years Ended December 31, 2013 And 2012**

**7. LEASE OBLIGATIONS (CONTINUED)**

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

	2014	\$	83,800
	2015		8,400
	2016		8,400
	2017		8,400
	2018		8,400
	Thereafter		117,600
Total		\$	235,000

In addition, THC leases office space under a one-year renewable lease. The lease was renewed in 2013. Rent expense for this office space was \$37,824 and \$33,386 for 2013 and 2012, respectively.

**8. 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 2013 and 2012, THC incurred expenses of \$5,220 and \$3,815, respectively.

**9. 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, 2013 and 2012 are \$741,325 and \$5,885 for 2013, and \$741,325 and \$4,032 for 2012, 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, 2013 and 2012 are \$369,000 and \$3,011 for 2013, and \$369,000 and \$2,089 for 2012, respectively.

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, 2013 and 2012, developer fees receivable totaled \$726,585 and \$758,856, 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, 2013 And 2012**

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

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

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

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

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

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

### **10. 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, 2013**

	THC	THCAH	Eliminations	Total
<b>CURRENT ASSETS</b>				
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
<b>Total Current Assets</b>	<b>1,229,386</b>	<b>459,280</b>	<b>-</b>	<b>1,688,666</b>
<b>PROPERTY AND EQUIPMENT</b>				
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
<b>Total Property And Equipment</b>	<b>1,007,369</b>	<b>2,275,000</b>	<b>-</b>	<b>3,282,369</b>
<b>OTHER ASSETS</b>				
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
<b>Total Other Assets</b>	<b>61,208</b>	<b>2,237,691</b>	<b>-</b>	<b>2,298,899</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,297,963</b>	<b>\$ 4,971,971</b>	<b>\$ -</b>	<b>\$ 7,269,934</b>

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
<b>CURRENT LIABILITIES</b>				
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>
<b>LONG-TERM LIABILITIES</b>				
Long-Term Debt - Less Current Portion	-	31,914	-	31,914
	<u>-</u>	<u>31,914</u>	<u>-</u>	<u>31,914</u>
<b>TOTAL LIABILITIES</b>				
	<u>97,189</u>	<u>2,665,551</u>	<u>-</u>	<u>2,762,740</u>
<b>NET ASSETS</b>				
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>
<b>TOTAL LIABILITIES AND NET ASSETS</b>				
	<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 Financial Position**

**December 31, 2012**

	THC	THCAH	Eliminations	Total
<b>CURRENT ASSETS</b>				
Cash	\$ 1,415,093	\$ 382,853	\$ -	\$ 1,797,946
Grants Receivable	229,110	20,000	-	249,110
Developer Fees Receivable - Current	-	32,271	-	32,271
Resident Services Receivable	17,193	-	-	17,193
<b>Total Current Assets</b>	<b>1,661,396</b>	<b>435,124</b>	<b>-</b>	<b>2,096,520</b>
<b>PROPERTY AND EQUIPMENT</b>				
Land	85,000	-	-	85,000
Buildings And Improvements	1,359,208	-	-	1,359,208
Leasehold Improvements	176,630	-	-	176,630
Furniture, Fixtures And Equipment	176,462	-	-	176,462
Automobile	25,119	-	-	25,119
	1,822,419	-	-	1,822,419
Less: Accumulated Depreciation	768,169	-	-	768,169
<b>Total Property And Equipment</b>	<b>1,054,250</b>	<b>-</b>	<b>-</b>	<b>1,054,250</b>
<b>OTHER ASSETS</b>				
Security Deposits Receivable	61,208	-	-	61,208
Sponsor Loans Receivable	-	1,116,446	-	1,116,446
Developer Fees Receivable - Long-Term	-	726,585	-	726,585
Project Development Costs	-	95,588	-	95,588
<b>Total Other Assets</b>	<b>61,208</b>	<b>1,938,619</b>	<b>-</b>	<b>1,999,827</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,776,854</b>	<b>\$ 2,373,743</b>	<b>\$ -</b>	<b>\$ 5,150,597</b>

See Accompanying Notes To The Consolidated Financial Statements

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

**December 31, 2012**

	THC	THCAH	Eliminations	Total
<b>CURRENT LIABILITIES</b>				
Accounts Payable And Accrued Expenses	\$ 135,214	\$ -	\$ -	\$ 135,214
Current Portion Of Long-Term Debt	5,143	-	-	5,143
Deposits	10,670	-	-	10,670
<b>Total Current Liabilities</b>	<b>151,027</b>	<b>-</b>	<b>-</b>	<b>151,027</b>
<b>LONG-TERM LIABILITIES</b>				
Long-Term Debt - Less Current Portion	3,665	-	-	3,665
<b>Total Long-Term Liabilities</b>	<b>3,665</b>	<b>-</b>	<b>-</b>	<b>3,665</b>
<b>TOTAL LIABILITIES</b>	<b>154,692</b>	<b>-</b>	<b>-</b>	<b>154,692</b>
<b>NET ASSETS</b>				
Unrestricted	1,672,667	2,349,242	-	4,021,909
Temporarily Restricted	949,495	24,501	-	973,996
<b>Total Net Assets</b>	<b>2,622,162</b>	<b>2,373,743</b>	<b>-</b>	<b>4,995,905</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,776,854</b>	<b>\$ 2,373,743</b>	<b>\$ -</b>	<b>\$ 5,150,597</b>

**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	
<b>REVENUE</b>									
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)	-
<b>Total Revenue</b>	<b>4,738,469</b>	<b>106,191</b>	<b>(175,431)</b>	<b>4,669,229</b>	<b>(67,145)</b>	<b>4,499</b>	<b>-</b>	<b>(62,646)</b>	<b>4,606,583</b>
<b>EXPENSES</b>									
Program Services:									
Resident Services	3,005,554	175,431	(175,431)	3,005,554	-	-	-	-	3,005,554
Building Operations	832,246	1,710	-	833,956	-	-	-	-	833,956
Affordable Housing	179,775	-	-	179,775	-	-	-	-	179,775
Outreach	95,535	-	-	95,535	-	-	-	-	95,535
<b>Total Program Services Expenses</b>	<b>4,113,110</b>	<b>177,141</b>	<b>(175,431)</b>	<b>4,114,820</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,114,820</b>
Supporting Services:									
Management And General	727,142	872	-	728,014	-	-	-	-	728,014
Fundraising	252,460	-	-	252,460	-	-	-	-	252,460
<b>Total Supporting Services Expenses</b>	<b>979,602</b>	<b>872</b>	<b>-</b>	<b>980,474</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>980,474</b>
<b>Total Expenses</b>	<b>5,092,712</b>	<b>178,013</b>	<b>(175,431)</b>	<b>5,095,294</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,095,294</b>
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 Activities And**  
**Changes In Net Assets**

**For The Year Ended December 31, 2012**

	Unrestricted				Temporarily Restricted				Consolidated
	THC	THCAH	Eliminations	Total	THC	THCAH	Eliminations	Total	
<b>REVENUE</b>									
Government Contracts & Grants	\$ 3,187,585	\$ 45,000	\$ -	\$ 3,232,585	\$ -	\$ -	\$ -	\$ -	\$ 3,232,585
Corporate/Individual Contributions	210,737	11,600	-	222,337	949,495	24,500	-	973,995	1,196,332
In-Kind Donations	55,302	-	-	55,302	-	-	-	-	55,302
Rental Revenue	26,237	-	-	26,237	-	-	-	-	26,237
Special Events Revenue	54,091	-	-	54,091	-	-	-	-	54,091
Investment And Other Income	2,908	44,881	-	47,789	-	-	-	-	47,789
Resident Services Fees	44,824	-	-	44,824	-	-	-	-	44,824
Management Fees	169,926	-	(169,926)	-	-	-	-	-	-
Net Assets Released From Purpose Related Restrictions	384,963	35,725	-	420,688	(384,963)	(35,725)	-	(420,688)	-
<b>Total Revenue</b>	<b>4,136,573</b>	<b>137,206</b>	<b>(169,926)</b>	<b>4,103,853</b>	<b>564,532</b>	<b>(11,225)</b>	<b>-</b>	<b>553,307</b>	<b>4,657,160</b>
<b>EXPENSES</b>									
Program Services:									
Resident Services	2,151,908	169,926	(169,926)	2,151,908	-	-	-	-	2,151,908
Building Operations	1,084,320	2,590	-	1,086,910	-	-	-	-	1,086,910
Affordable Housing	162,128	4,575	-	166,703	-	-	-	-	166,703
Outreach	58,030	-	-	58,030	-	-	-	-	58,030
<b>Total Program Services Expenses</b>	<b>3,456,386</b>	<b>177,091</b>	<b>(169,926)</b>	<b>3,463,551</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,463,551</b>
Supporting Services:									
Management And General	655,155	791	-	655,946	-	-	-	-	655,946
Fundraising	186,374	-	-	186,374	-	-	-	-	186,374
<b>Total Supporting Services Expenses</b>	<b>841,529</b>	<b>791</b>	<b>-</b>	<b>842,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>842,320</b>
<b>Total Expenses</b>	<b>4,297,915</b>	<b>177,882</b>	<b>(169,926)</b>	<b>4,305,871</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,305,871</b>
Change In Net Assets	(161,342)	(40,676)	-	(202,018)	564,532	(11,225)	-	553,307	351,289
Net Assets At December 31, 2011	1,834,009	2,389,918	-	4,223,927	384,963	35,726	-	420,689	4,644,616
Net Assets At December 31, 2012	\$ 1,672,667	\$ 2,349,242	\$ -	\$ 4,021,909	\$ 949,495	\$ 24,501	\$ -	\$ 973,996	\$ 4,995,905

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

**For The Year Ended December 31, 2013**

	THC	THCAH	Eliminations	Total
<b>CONSOLIDATING CASH FLOWS FROM</b>				
<b>OPERATING ACTIVITIES:</b>				
Change In Net Assets	\$ (421,388)	\$ (67,323)	\$ -	\$ (488,711)
Adjustments To Reconcile Change In Net Assets To				
Net Cash Provided By (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 Provided By (Used In) Operating Activities:	<u>(574,397)</u>	<u>(7,511)</u>	<u>-</u>	<u>(581,908)</u>
<b>CONSOLIDATING CASH FLOWS FROM</b>				
<b>INVESTING ACTIVITIES:</b>				
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>
<b>CONSOLIDATING CASH FLOWS FROM</b>				
<b>FINANCING ACTIVITIES:</b>				
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>
<b>SUPPLEMENTAL DISCLOSURE OF CASH</b>				
<b>FLOW INFORMATION:</b>				
Cash Paid During The Year For:				
Interest	<u>\$ 159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159</u>

See Accompanying Notes To The Consolidated Financial Statements

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

**For The Year Ended December 31, 2012**

	THC	THCAH	Eliminations	Total
<b>CONSOLIDATING CASH FLOWS FROM</b>				
<b>OPERATING ACTIVITIES:</b>				
Change In Net Assets	\$ 403,190	\$ (51,901)	\$ -	\$ 351,289
Adjustments To Reconcile Change In Net Assets To				
Net Cash Provided By Operating Activities				
Depreciation And Amortization	119,692	-	-	119,692
(Increase) Decrease In Operating Assets				
Grants Receivable	49,560	2,000	-	51,560
Developer Fees Receivable	-	474,714	-	474,714
Resident Services Receivable	(17,193)	-	-	(17,193)
Prepaid Expenses	17,047	-	-	17,047
Employee Receivable	116,147	-	-	116,147
Security Deposits Receivable	(32,457)	-	-	(32,457)
Increase (Decrease) In Operating Liabilities				
Accounts Payable And Accrued Expenses	65,572	(240)	-	65,332
Deposits	4,270	-	-	4,270
Due To Affiliate	-	(116,147)	-	(116,147)
Net Cash Provided By Operating Activities	<u>725,828</u>	<u>308,426</u>	<u>-</u>	<u>1,034,254</u>
<b>CONSOLIDATING CASH FLOWS FROM</b>				
<b>INVESTING ACTIVITIES:</b>				
Acquisition Of Property And Equipment	(31,571)	-	-	(31,571)
Increase In Sponsor Loans Receivable	-	(2,776)	-	(2,776)
Increase In Project Development Costs	-	(95,588)	-	(95,588)
Net Cash Used In Investing Activities	<u>(31,571)</u>	<u>(98,364)</u>	<u>-</u>	<u>(129,935)</u>
<b>CONSOLIDATING CASH FLOWS FROM :</b>				
<b>FINANCING ACTIVITIES</b>				
Principal Payments On Long-Term Debt	(8,425)	-	-	(8,425)
Net Cash Used In Financing Activities	<u>(8,425)</u>	<u>-</u>	<u>-</u>	<u>(8,425)</u>
Net Increase In Cash	685,832	210,062	-	895,894
Cash - Beginning Of Year	<u>729,261</u>	<u>172,791</u>	<u>-</u>	<u>902,052</u>
Cash - End Of Year	<u>\$ 1,415,093</u>	<u>\$ 382,853</u>	<u>\$ -</u>	<u>\$ 1,797,946</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH</b>				
<b>FLOW INFORMATION:</b>				
<b>Cash Paid During The Year For:</b>				
Interest	<u>\$ 442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442</u>

See Accompanying Notes To The Consolidated Financial Statements



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

**December 31, 2013**

<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>874,955</u>
Total Expenditures		<u>874,955</u>
Supportive Services for Veteran Families Program Veterans Affairs Supportive Services for Veteran Families Program <sup>2</sup>	64.033	
ARRA Expenditures		\$ -
Non-ARRA Expenditures		<u>71,395</u>
Total Expenditures		<u>71,395</u>
Pass Through Awards from the District of Columbia:		
U.S. Department of Health and Human Services Temporary Assistance for Needy Families <sup>3</sup>	93.558	
ARRA Expenditures		\$ -
Non-ARRA Expenditures		<u>1,041,900</u>
Total Expenditures		<u>1,041,900</u>
Total		<u>\$ 1,988,250</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, 2013. 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.

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

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**December 31, 2013**

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<sup>1</sup> Continuum of Care Homeless Assistance Program – PA I Contract	\$ 127,621
Community Partnership for the Prevention of Homelessness – PA II Contract	150,315
Community Partnership for the Prevention of Homelessness – Housing with Care	420,941
Community Partnership for the Prevention of Homelessness – Homeward FRP	176,078
	<hr/>
	\$ 874,955
<sup>2</sup> Community Partnership for the Prevention of Homelessness – SSVF VA	\$ 71,395
<sup>3</sup> Community Partnership for the Prevention of Homelessness – DHS PA III Contract	\$ 468,489
Community Partnership for the Prevention of Homelessness – DHS STI	211,932
Community Partnership for the Prevention of Homelessness – DHS FRSP	295,604
Community Partnership for the Prevention of Homelessness – Homeward FRP	65,875
	<hr/>
	\$ 1,041,900



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

**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, 2013, 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 13, 2014.

***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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

### ***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*.

### ***Management's Response to Findings***

Transitional Housing Corporation And Affiliate's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Transitional Housing Corporation And Affiliate's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Three

***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.*

Certified Public Accountants

Owings Mills, Maryland  
August 13, 2014



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*Certified Public Accountants & Consultants*

**Independent Auditors' Report**

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

**Over Compliance 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* 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, 2013. 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 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.

Transitional Housing Corporation And Affiliate  
Independent Auditors' Report On Compliance  
For Each Major Program And On Internal Control  
Over Compliance Required By *OMB Circular A-133*  
Page Two

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, 2013.

***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.

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.

Transitional Housing Corporation And Affiliate  
Independent Auditors' Report On Compliance  
For Each Major Program And On Internal Control  
Over Compliance Required By *OMB Circular A-133*  
Page Three

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.

*Hertzbach & Company P.A.*

Certified Public Accountants

Owings Mills, Maryland  
August 13, 2014



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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, 2013**

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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. A significant deficiency in internal controls was identified during the audit of the consolidated financial statements. The significant deficiency identified was not considered a material weakness.
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

Finding No. 2013-1: See Page 34

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

None

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**Transitional Housing Corporation And Affiliate  
Schedule Of Findings And Questioned Costs  
(Continued)**

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**December 31, 2013**

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Name Of Mortgagor: Transitional Housing Corporation And Affiliate

Audit Firm: Hertzbach & Company, P.A.

Audit Period: January 1, 2013 - December 31, 2013

Finding No. 2013-1

Condition:

Certain accounts were not reconciled on a timely basis.

Criteria:

Accounts should be reconciled on a timely basis to ensure material misstatements are detected and corrected by management on a timely basis.

Cause:

There was an accounting software conversion during the year which created difficulties in reconciling certain accounts.

Effect:

Management may prepare financial statements that may include a material misstatement that was not detected on a timely basis.

Recommendations:

Management should ensure that reconciliations are prepared and reviewed on a timely basis in accordance with the Organization's existing internal control policies and procedures.

**Views Of Management And Planned Corrective Action:**

THC management accepts the finding of a significant deficiency in its internal controls during FY 13. We concur that the cause is related to the transition to new accounting software beginning in April 2013, which led to difficulty in the reconciliation of accounts and timely preparation of complete internal financial statements. Immediately upon identification of the problem during the FY 13 audit process, THC has taken corrective action, including: 1) accepting the resignation of the Director of Finance; 2) engaging an independent accountant with expertise in the new software to perform a critical review of accounts and transactions in the new financial management system ; and 3) beginning the process of engaging an outside firm to provide organization-wide financial management services to address internal controls and software management.

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**Transitional Housing Corporation And Affiliate  
Corrective Action Plan  
(Continued)**

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**December 31, 2013**

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CORRECTIVE ACTION PLAN

Name Of Mortgagor: Transitional Housing Corporation And Affiliate

Audit Firm: Hertzbach & Company, P.A.

Audit Period: January 1, 2013 - December 31, 2013

Status of Corrective Actions On Current Year Findings

Finding No. 2013-1

Statement of Condition:

Certain accounts were not reconciled on a timely basis.

Status:

Management is ensuring that reconciliations are pared on a timely basis.