

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016



HERTZBACH
certified public accountants · consultants

Transitional Housing Corporation DBA Housing Up And Affiliate

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For the Years Ended December 31, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors
Transitional Housing Corporation DBA Housing Up And Affiliate
5101 16th Street, NW
Washington, DC 20011

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Transitional Housing Corporation DBA Housing Up And Affiliate, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transitional Housing Corporation DBA Housing Up And Affiliate as of December 31, 2017 and 2016, 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 24 to 37 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 38-39, 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 September 29, 2018 on our consideration of Transitional Housing Corporation DBA Housing Up And Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Transitional Housing Corporation DBA Housing Up And Affiliate's internal control over financial reporting and compliance.

Hertzbach & Company, P.A.

Owings Mills, Maryland
September 29, 2018

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

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Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidated Statements of Financial Position

As of December 31, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash	\$ 2,049,341	\$ 1,764,406
Rents receivable, net of allowance for doubtful accounts of \$23,366 - 2017 and \$16,707 - 2016	23,095	11,654
Grants receivable	1,096,964	1,199,248
Current portion of developer fees receivable	232,331	20,135
Resident services receivable	62,898	24,711
Capital contributions receivable	-	106,178
Prepaid insurance	41,895	16,854
Miscellaneous current assets	-	4,793
Tenants' security deposits	16,119	15,161
Total current assets	<u>3,522,643</u>	<u>3,163,140</u>
Property and equipment		
Land	1,085,255	1,085,255
Buildings and improvements	9,943,881	9,943,881
Land improvements	271,746	271,746
Leasehold improvements	1,955,084	1,955,084
Furniture, fixtures, and equipment	569,424	569,424
Automobile	25,119	25,119
	<u>13,850,509</u>	<u>13,850,509</u>
Less: accumulated depreciation	<u>1,933,497</u>	<u>1,503,802</u>
Total property and equipment	<u>11,917,012</u>	<u>12,346,707</u>
Other assets		
Security deposit receivable	61,958	61,958
Sponsor loans receivable, including accrued interest receivable of \$102,330 - 2017 and \$22,994 - 2016	1,133,103	1,124,773
Developer fees receivable - less current portion	531,622	609,542
Project development costs	216,016	104,789
Reserves	225,330	146,932
Escrows	58,145	56,672
Tax credit fees, net of accumulated amortization of \$15,284 - 2017 and \$7,054 - 2016	55,264	63,494
Investment in LLCs	<u>(183)</u>	<u>(183)</u>
Total other assets	<u>2,281,255</u>	<u>2,167,977</u>
Total assets	<u>\$ 17,720,910</u>	<u>\$ 17,677,824</u>

See independent auditor's report and notes to consolidated financial statements.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidated Statements of Financial Position (Continued)

As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 232,791	\$ 282,005
Current portion of long-term debt	79,448	79,380
Management fees payable	9,093	5,962
Accrued interest - long-term debt	53,897	-
Prepaid rents	3,459	2,498
Security deposit payable	24,675	21,719
Total current liabilities	<u>403,363</u>	<u>391,564</u>
Long-term liabilities		
Deferred developer fee income	462,912	367,677
Long-term debt - less current portion and unamortized financing fees of \$149,789 - 2017 and \$159,102 - 2016	<u>3,566,510</u>	<u>3,634,247</u>
Total long-term liabilities	<u>4,029,422</u>	<u>4,001,924</u>
Total liabilities	<u>4,432,785</u>	<u>4,393,488</u>
Net assets		
Unrestricted		
General fund	5,938,817	5,201,727
Non-controlling	<u>6,745,529</u>	<u>6,916,842</u>
Total unrestricted	12,684,346	12,118,569
Temporarily restricted	<u>603,779</u>	<u>1,165,767</u>
Total net assets	<u>13,288,125</u>	<u>13,284,336</u>
Total liabilities and net assets	<u>\$ 17,720,910</u>	<u>\$ 17,677,824</u>

See independent auditor's report and notes to consolidated financial statements.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidated Statements of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	Unrestricted	Temporarily restricted	Total
Revenue			
Government contracts & grants	\$ 4,107,528	\$ -	\$ 4,107,528
Corporate/individual contributions	371,352	280,168	651,520
In-kind donations	59,752	-	59,752
Rental revenue	750,830	-	750,830
Investment and other income	123,149	-	123,149
Resident services fees	125,802	-	125,802
Developer fees	220,765	-	220,765
Net assets released from purpose related restrictions	842,156	(842,156)	-
Total revenue	6,601,334	(561,988)	6,039,346
Expenses			
Program services:			
Resident services	3,276,460	-	3,276,460
Building operations	997,594	-	997,594
Affordable housing	848,872	-	848,872
Total program services expenses	5,122,926	-	5,122,926
Supporting services:			
Management and general	623,537	-	623,537
Fundraising	289,094	-	289,094
Total supporting services expenses	912,631	-	912,631
Total expenses	6,035,557	-	6,035,557
Change in net assets	565,777	(561,988)	3,789
Net assets at December 31, 2016	12,118,569	1,165,767	13,284,336
Net assets at December 31, 2017 before non-controlling interest	12,684,346	603,779	13,288,125
Non-controlling interest	(6,745,529)	-	(6,745,529)
Net assets at December 31, 2017 attributable to Housing Up	\$ 5,938,817	\$ 603,779	\$ 6,542,596

See independent auditor's report and notes to consolidated financial statements.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidated Statements of Activities and Changes in Net Assets (Continued)

For the Year Ended December 31, 2016

	Unrestricted	Temporarily restricted	Total
Revenue			
Government contracts & grants	\$ 3,831,858	\$ -	\$ 3,831,858
Corporate/individual contributions	268,579	1,165,767	1,434,346
In-kind donations	47,286	-	47,286
Rental revenue	680,496	-	680,496
Investment and other income	19,172	-	19,172
Resident services fees	90,343	-	90,343
Developer fees	426,942	-	426,942
Net assets released from purpose related restrictions	530,259	(530,259)	-
Total revenue	<u>5,894,935</u>	<u>635,508</u>	<u>6,530,443</u>
Expenses			
Program services:			
Resident services	3,269,867	-	3,269,867
Building operations	928,142	-	928,142
Affordable housing	1,002,395	-	1,002,395
Total program services expenses	<u>5,200,404</u>	<u>-</u>	<u>5,200,404</u>
Supporting services:			
Management and general	641,004	-	641,004
Fundraising	228,703	-	228,703
Total supporting services expenses	<u>869,707</u>	<u>-</u>	<u>869,707</u>
Total expenses	<u>6,070,111</u>	<u>-</u>	<u>6,070,111</u>
Change in net assets	(175,176)	635,508	460,332
Net assets at December 31, 2015	7,665,240	530,259	8,195,499
Capital contributions - non-controlling	<u>4,628,505</u>	<u>-</u>	<u>4,628,505</u>
Net assets at December 31, 2016 before non-controlling interest	12,118,569	1,165,767	13,284,336
Non-controlling interest	<u>(6,916,842)</u>	<u>-</u>	<u>(6,916,842)</u>
Net assets at December 31, 2016 attributable to Housing Up	<u>\$ 5,201,727</u>	<u>\$ 1,165,767</u>	<u>\$ 6,367,494</u>

See independent auditor's report and notes to consolidated financial statements.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program services				Supporting services		Total supporting services	Total expenses
	Resident services	Building operations	Affordable housing	Total program services	Management and general	Fundraising		
Salaries	\$ 2,445,690	\$ 18,134	\$ 199,434	\$ 2,663,258	\$ 194,372	\$ 176,421	\$ 370,793	\$ 3,034,051
Accounting and legal	-	-	-	-	167,793	-	167,793	167,793
Payroll taxes and fringe benefits	488,440	3,589	59,496	551,525	38,466	34,914	73,380	624,905
Repairs and maintenance	-	130,291	40,484	170,775	-	-	-	170,775
Depreciation and amortization	-	164,986	271,761	436,747	-	-	-	436,747
Utilities	57,512	76,843	56,551	190,906	-	-	-	190,906
Rent	106,873	316,133	-	423,006	38,656	-	38,656	461,662
Insurance	-	47,760	3,187	50,947	-	-	-	50,947
Family services	97,216	-	-	97,216	-	-	-	97,216
Miscellaneous	3,366	3,537	23,559	30,462	4,923	-	4,923	35,385
Other professional fees	22,244	158,892	25,964	207,100	59,043	-	59,043	266,143
Bad debt	-	-	12,064	12,064	-	-	-	12,064
Travel	34,950	-	-	34,950	937	-	937	35,887
Membership dues and fees	-	-	-	-	12,864	-	12,864	12,864
Special events	-	-	-	-	-	76,648	76,648	76,648
Information technology	-	-	-	-	18,409	-	18,409	18,409
Office expense	20,169	5,800	29,228	55,197	66,252	1,111	67,363	122,560
Other taxes and licenses	-	-	823	823	-	-	-	823
Interest	-	71,629	126,321	197,950	21,822	-	21,822	219,772
	<u>\$ 3,276,460</u>	<u>\$ 997,594</u>	<u>\$ 848,872</u>	<u>\$ 5,122,926</u>	<u>\$ 623,537</u>	<u>\$ 289,094</u>	<u>\$ 912,631</u>	<u>\$ 6,035,557</u>

See independent auditor's report and notes to consolidated financial statements.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidated Statement of Functional Expenses (Continued)
For the Year Ended December 31, 2016

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

See independent auditor's report and notes to consolidated financial statements.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Consolidated cash flows from operating activities:		
Change in net assets	\$ 3,789	\$ 116,837
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	436,747	438,768
Gain (loss) from investment in investing entities	-	(105)
(Increase) decrease in operating assets:		
Rents receivable	(11,441)	22,494
Grants receivable	102,284	(614,538)
Developer fees receivable	(134,276)	816,427
Prepaid insurance	(25,041)	29,396
Resident services receivable	(38,187)	(24,711)
Security deposits receivable	(958)	(1,051)
Miscellaneous current assets	4,793	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	88,328	(231,853)
Prepaid rent	961	1,888
Deposits	2,956	(9,295)
Deferred developer fee income	95,235	(94,876)
	<u>525,190</u>	<u>449,381</u>

See independent auditor's report and notes to consolidated financial statements.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Consolidated cash flows from investing activities:		
Construction costs paid	-	(1,426,846)
Purchase of fixed assets	-	(152,477)
Increase in sponsor loans receivable	(87,666)	(25,770)
Increase in project development costs	(111,227)	(104,789)
Increase in reserves	(78,398)	(104,238)
Increase in escrows	(1,471)	(56,672)
Decrease in rate lock deposit	-	41,400
Net cash used in investing activities	<u>(278,762)</u>	<u>(1,829,392)</u>
Consolidated cash flows from financing activities:		
Capital contributions	106,178	4,522,327
Proceeds from long-term debt	-	2,491,911
Principal payments on long-term debt	(67,669)	(21,408)
Net payments on line of credit	-	(4,890,920)
Net cash provided by financing activities	<u>38,509</u>	<u>2,101,910</u>
Net increase in cash	284,937	721,899
Cash - beginning of year	<u>1,764,406</u>	<u>1,042,507</u>
Cash - end of year	<u>\$ 2,049,343</u>	<u>\$ 1,764,406</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 322,973</u>	<u>\$ 339,815</u>

See independent auditor's report and notes to consolidated financial statements.

Transitional Housing Corporation DBA Housing Up And Affiliate

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

1) Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Housing Up is a 501(c)(3) not-for-profit organization incorporated in February 1990. The mission of Housing Up is to combat homelessness by providing affordable housing and supportive services to the poor and underprivileged families in the District of Columbia while assisting them in developing life skills that enable independent living. Housing Up operates three apartment buildings located in the District of Columbia. Partner Arms I is a 14-unit apartment building located on Kennedy Street in Washington, D.C. Partner Arms II is a 13-unit apartment building located on Georgia Avenue in Washington, D.C. Partner Arms III is a 13-unit apartment building in Ward 7. Housing Up's programs are funded by government and foundation grants, contributions from churches, corporations and individuals, and rental income from tenants. Housing Up was formerly known as Transitional Housing Corporation until June 2, 2016, when they changed their name to Transitional Housing Corporation DBA Housing Up.

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

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

Principles of Consolidation

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

Basis of Presentation

The Corporation complies with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*, and is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Due to purpose restrictions, five of the grants to the Corporation are temporarily restricted as of December 31, 2017 and twelve of the grants to the Corporation were temporarily restricted as of December 31, 2016. All other net assets of the Corporation are unrestricted as of December 31, 2017 and 2016.

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Notes to Consolidated Financial Statements (Continued)
For the Years Ended December 31, 2017 and 2016

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

Project Development Costs

The Corporation capitalizes all direct and indirect costs related to the development of the project, which includes, among others, pre-development costs, constructions costs, and interest. The development costs exclude certain ordinary operating expenses, which are expensed as incurred. THCAH incurred project development costs of \$0 and \$19,618 during the years ended December 31, 2017 and 2016, respectively. Housing Up incurred project development costs of \$111,227 and \$85,171 during the years ended December 31, 2017 and 2016, respectively.

Property and Equipment

Property and equipment are stated at cost. The cost of repairs and maintenance is charged to operations as incurred. Major renewals, betterments and additions are capitalized. When assets are sold or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss is credited or charged to revenue. Depreciation is computed using the straight-line method over 30 years for buildings, 15 years for land improvements and 5 years for equipment. Leasehold improvements are depreciated over the lesser of the estimated useful life or the remaining life of the lease. Donated or contributed property and equipment is stated at fair market value and in-kind donations revenue is recognized.

Amortization

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

Interest

The Corporation has adopted the FASB ASC Section 835, *Interest*, which states that debt issuance costs related to a note shall be reported on the consolidated statements of financial position as a direct deduction from the face amount of that note, and any amortization of debt issuance costs shall be reported as interest expense. Accordingly, the Corporation is reporting loan fees related to its mortgage payable as a direct deduction from the principal balance of the mortgage, and is reporting amortization of the loan fees as interest expense on the mortgage payable. See Note 5 for more information.

Method of Accounting

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

Impairment of Long-Lived Assets

The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There have been no asset impairments as of December 31, 2017 and 2016.

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Notes to Consolidated Financial Statements (Continued)
For the Years Ended December 31, 2017 and 2016

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Income Taxes

Housing Up and THCAH are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income as defined in the Code. The corporations did not have any unrelated business income during the years ended December 31, 2017 and 2016. Taxable income or losses pass through to, and is reportable by its members for PA4. Accordingly, no provision for income taxes has been included in the accompanying consolidated financial statements.

Non-Controlling Interest

This amount represents the positive balance of the investor member's equity interest in PA4, which is included in the consolidated financial statements. The balance of the investor member's interest remains in the Corporation's net assets. Included in net assets at December 31, 2017 and 2016 is the equity in the capital balance of the investor member's interest of \$6,745,529 and \$6,916,842, 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, 2017 and 2016.

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 2017 and 2016, the Corporation received in-kind donations of professional services, construction materials, services related to the refurbishing of apartment units and other goods valued at \$59,752 and \$47,286, respectively, which are reported as in-kind donations in the accompanying consolidated statements of activities and changes in net assets. During 2017 and 2016, the Corporation also received approximately 273 and 1,071 hours of donated services, respectively, from volunteers in support of its programs that do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Estimates

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

Revenue Recognition

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

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Notes to Consolidated Financial Statements (Continued)
For the Years Ended December 31, 2017 and 2016

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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

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

Grants

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

Functional Expenses

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

New Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958) (“ASU 2016-14”), which improves the presentation of financial statements of not-for-profit entities. The change is intended to provide more useful information to donors, grantors and other users. The ASU impacts all not-for-profit entities within the scope of Topic 958. The ASU addresses the following key qualitative and quantitative matters: 1) net asset classes, 2) investment return, 3) expenses, 4) liquidity and 5) availability of resources and presentation of operating cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the effect ASU 2016-14 will have on its consolidated financial statements.

2) Rents Receivable

The Corporation provides for doubtful accounts based on anticipated collection losses. The estimated losses are determined from historical collection experience and a review of existing rents receivable as to their collectability.

See independent auditor’s report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Notes to Consolidated Financial Statements (Continued)
For the Years Ended December 31, 2017 and 2016

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, 2017 and 2016, cash balances exceeded the insured limits by \$1,138,073 and \$1,154,045, respectively.

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, 2017 and 2016 and the summarized combined statements of operations for the years then ended are as follows:

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Notes to Consolidated Financial Statements (Continued)
For the Years Ended December 31, 2017 and 2016

4) Investment in Limited Liability Companies (Continued)

Combined Balance Sheets

	2017	2016
Assets		
Investment in real estate:		
Land and land improvements	\$ 2,667,365	\$ 2,667,365
Building and improvements	26,837,396	26,892,769
Furniture and equipment	163,181	156,056
	<u>29,667,942</u>	<u>29,716,190</u>
Accumulated depreciation	(5,102,530)	(4,399,688)
	<u>24,565,412</u>	<u>25,316,502</u>
Other assets:		
Cash	241,389	185,433
Accounts receivable	52,140	31,000
Prepaid expenses	39,576	37,599
Intangibles	33,600	38,817
Escrows and reserves	1,471,939	1,596,273
	<u>1,838,644</u>	<u>1,889,122</u>
Total assets	<u>\$ 26,404,056</u>	<u>\$ 27,205,624</u>
Liabilities and Partners' Equity		
Liabilities applicable to real estate:		
Mortgage and bonds payable	\$ 7,200,201	\$ 7,271,452
Notes and loans payable	14,565,645	14,565,645
Total liabilities applicable to real estate	<u>21,765,846</u>	<u>21,837,097</u>
Other liabilities:		
Accounts payable and accrued expenses	104,797	57,551
Tenant security deposit and other liabilities	623,590	621,449
Due to related party	1,026,926	1,198,762
Total other liabilities	<u>1,755,313</u>	<u>1,877,762</u>
Total liabilities	<u>23,521,159</u>	<u>23,714,859</u>
Partners' equity	<u>2,882,897</u>	<u>3,490,765</u>
Total liabilities and partners' equity	<u>\$ 26,404,056</u>	<u>\$ 27,205,624</u>
THCAH portion of equity	<u>\$ (183)</u>	<u>\$ (183)</u>

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Notes to Consolidated Financial Statements (Continued)
For the Years Ended December 31, 2017 and 2016

4) Investment in Limited Liability Companies (Continued)

Combined Statements of Operations

	2017	2016
Revenue:		
Rents	\$ 1,694,645	\$ 1,669,597
Interest	3,218	2,037
Other	16,291	19,056
Total revenue	<u>1,714,154</u>	<u>1,690,690</u>
Expenses:		
Administrative	284,327	316,132
Operating and maintenance	340,319	309,489
Taxes and insurance	187,066	165,260
Utilities	127,390	112,614
Depreciation and amortization	706,841	713,483
Interest	527,549	532,103
Other expenses	148,530	149,655
Total expenses	<u>2,322,022</u>	<u>2,298,736</u>
Net loss	<u>\$ (607,868)</u>	<u>\$ (608,046)</u>
THCAH portion of net loss	<u>\$ (29)</u>	<u>\$ (29)</u>

5) Long-Term Debt

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

	2017	2016
Mortgage loan of \$27,070 with Cornerstone, Inc. collateralized by building and land located at 4506 Avenue (Partner Arms II). Interest accrued at 3.5% per annum; monthly principal and interest payments were \$862; any remaining principal and accrued interest was due June 30, 2017.	-	5,117
Note payable of \$50,000 with Corporation for Supportive Housing (CSH). Does not accrue interest for the first 24 months, 6% thereafter until the maturity date; all remaining principal due July 31, 2019. The note is secured by the Mortgage and Security Agreement, if applicable, and the other Loan Documents.	50,000	50,000

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Notes to Consolidated Financial Statements (Continued)
For the Years Ended December 31, 2017 and 2016

5) Long-Term Debt (Continued)

Mortgage loan of \$715,297 with DHCD collateralized by Partner Arms I. Interest accrues at 3% per annum; annual principal and interest payments are due from 50% of Available Cash Flow (see Footnote 12); any remaining principal and accrued interest is due March 31, 2055.	715,297	715,297
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.	994,698	1,043,753
Mortgage loan of \$2,070,000 with LISC. Interest accrues at a nominal rate of 6.25% per annum and an effective interest rate of 6.60% per annum; monthly principal and interest payments are \$12,752; any remaining principal and accrued interest is due by July 1, 2046. The loan is secured by a first mortgage deed of trust, security interest and assignment of rents.	<u>2,035,752</u>	<u>2,058,562</u>
Total	3,795,747	3,872,729
Less: current portion	<u>79,448</u>	<u>79,380</u>
Long-term portion	<u>\$ 3,716,299</u>	<u>\$ 3,793,349</u>

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

2018	\$ 79,448
2019	85,412
2020	90,524
2021	97,185
2022	103,956
2022 and thereafter	<u>3,339,222</u>
Total	<u>\$ 3,795,747</u>

Interest incurred on the notes and mortgages payable for the years ended December 31, 2017 and 2016 was \$219,772 and \$165,359, respectively, including amortizing financing fees of \$8,529 and \$3,818, respectively. Estimated financing fees being amortized to interest expense for each of the next five years are \$8,529.

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Notes to Consolidated Financial Statements (Continued)
For the Years Ended December 31, 2017 and 2016

6) Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Housing and services support	<u>\$ 603,779</u>	<u>\$ 1,165,767</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.

7) Concentration of Funding Risk

During 2017, Housing Up received \$2,168,164, approximately 38 percent of its revenue, from the U.S. Department of Housing and Urban Development (HUD) either directly or as a sub-recipient of a pass-through award from the District of Columbia. Housing Up also received \$1,939,364, approximately 34 percent of its revenue, directly from the District of Columbia. A significant reduction in the level of funding from these sources in the future could significantly affect Housing Up's ability to carry out its current program activities. Management does not consider this a significant risk in the near term.

8) Lease Obligations

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

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

2018	\$ 128,856
2019	110,589
2020	8,400
2021	8,400
2022	8,400
Thereafter	<u>252,000</u>
Total	<u>\$ 516,645</u>

Housing Up also leases the second floor of the building located at 4406 Georgia Avenue, N.W. Washington, D.C. under a one year operating lease, with the option to extend one year until October, 2019. The terms of the lease require Housing Up to pay monthly installments of \$10,038 and \$10,239 in the first and second year of the lease term, respectively.

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Notes to Consolidated Financial Statements (Continued)
For the Years Ended December 31, 2017 and 2016

8) Lease Obligations (Continued)

In addition, Housing Up leases office space at 5101 16th Street, N.W. Washington, D.C. under a one-year renewable lease. The lease was renewed in 2017. Rent expense for this office space was \$36,900 and \$36,900 for 2017 and 2016, respectively.

9) Retirement Plan

Housing Up maintains a tax deferred annuity retirement plan qualified under section 403(b) of the Internal Revenue Code. Eligible employees may contribute to the plan up to the limits established by law. Housing Up makes matching contributions equal to 20 percent of eligible employees' contributions to the plan. For 2017 and 2016, Housing Up incurred expenses of \$8,837 and \$7,193, respectively.

10) Affiliate Transactions

Sponsor Loans Receivable

On April 14, 2010, THCAH entered into a loan agreement with an affiliate, Fort View, LP. The principal amount of the note is \$713,500, of which \$659,325 was disbursed during the year ended December 31, 2010. On October 1, 2010, an additional promissory note was issued to increase the principal amount of the note by \$28,000 to \$741,500. An additional \$82,000 was disbursed during 2011. Interest accrues at .25% per annum, compounding annually. All unpaid principal and accrued interest are due on April 14, 2045. The outstanding principal and accrued interest balances as of December 31, 2017 and 2016 are \$741,325 and \$15,151 for 2017, and \$741,325 and \$9,591 for 2016, 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, 2017 and 2016 are \$369,000 and \$7,627 for 2017, and \$369,000 and \$4,857 for 2016, respectively.

On September 16, 2014, THCAH entered into a loan agreement with Partner Arms 4 in the original amount of \$1,220,000. Interest begins accruing on the second anniversary of the date of the agreement at 6.5% per annum, compounding annually. All unpaid principal and accrued interest are due on September 16, 2049. The outstanding principal balance as of December 31, 2017 and 2016 are \$1,220,000 and \$0, respectively, which were eliminated in the consolidation. Interest of \$22,994 was accrued for the year ended December 31, 2017 and was eliminated in the consolidation. No interest was accrued for the year ended December 31, 2016.

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, 2017 and 2016, developer fees receivable totaled \$763,953, and \$629,677, respectively. Developer fees of \$220,765 and \$84,876 were earned for the years ended December 31, 2017 and 2016, respectively. For the years ended December 31, 2017 and 2016, \$474,739 and \$379,504, respectively, was deferred of which \$11,827 and \$11,827, respectively, was eliminated in the consolidation.

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Notes to Consolidated Financial Statements (Continued)
For the Years Ended December 31, 2017 and 2016

10) 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 guarantee agreement. As guarantors, they must 1) guarantee payment of agency fees and expenses, 2) guarantee Fort View, LP's performance of the bankruptcy undertaking in the event of default, 3) guarantee payment of replacement reserve deposits, 4) guarantee the nonrecourse exceptions and 5) guarantee all environmental obligations.

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

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

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 2017 and 2016, no operating deficit loans were required.

Incentive Company Management Fee

PA4 is obligated to pay DC Partners an Incentive Company Management Fee under the terms of the Operating Agreement as an additional fee for managing the affairs of the Company. The fee shall be paid on an annual, non-cumulative basis and is payable from 90% of Cash Flow after the Development Fee and subordinate loans pursuant to Section 5.1.1. As of December 31, 2017 and 2016 no fee has been accrued or paid.

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Notes to Consolidated Financial Statements (Continued)
For the Years Ended December 31, 2017 and 2016

10) Affiliate Transactions (Continued)

Asset Management Fee

PA4 is obligated to pay NEF Community Investments, Inc., an affiliate of the Investor Member, an Asset Management Fee under the terms of the Operating Agreement for property management oversight, tax credit compliance monitoring, and related services. The annual fee shall be \$3,600, commencing the month following the month in which Stabilized Occupancy is achieved, but in no even later than January, 2016, to be increased annually by three percent each year thereafter. The fee is payable from Cash Flow pursuant to Section 5.1.1. As of December 31, 2017 and 2016, \$7,308 and \$3,600, respectively, has been accrued.

Cross Indemnity Agreement

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

11) Property Management Fee

PA4 was obligated under the terms of a property management agreement with Charles Tini & Associates LLC, an unrelated party. As of November 1, 2017, PA4 is obligated under the terms of a property management agreement with Eagle Point Management, an unrelated party. The agreement provides for a fee of 5% of gross tenant rent collections. Management fees of \$23,559 and \$20,404, respectively, were incurred during the years ended December 31, 2017 and 2016. As of December 31, 2017 and 2016, \$1,785 and \$1,823, respectively, remains payable.

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, 2017 is as follows:

Cash received	\$	426,980
Cash expenditures		<u>230,374</u>
Available cash flow	\$	<u>196,606</u>

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Notes to Consolidated Financial Statements (Continued)
For the Years Ended December 31, 2017 and 2016

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 auditor's 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.

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Financial Position
As of December 31, 2017

				Consolidated			Total
	THCAH	PA4	Eliminations	THCAH	Housing up	Eliminations	
Current assets							
Cash	\$ 1,146,895	\$ 190,573	\$ -	\$ 1,337,468	\$ 711,873	\$ -	\$ 2,049,341
Rent receivables, net of allowance for doubtful accounts of \$23,366	-	21,910	-	21,910	1,185	-	23,095
Grants receivable	-	-	-	-	1,096,964	-	1,096,964
Developer fees receivable - current	244,158	-	(11,827)	232,331	-	-	232,331
Resident services receivable	-	-	-	-	62,898	-	62,898
Capital contributions receivable	-	-	-	-	-	-	-
Prepaid insurance	-	3,796	-	3,796	38,099	-	41,895
Miscellaneous current assets	-	-	-	-	-	-	-
Tenants' security deposits	-	16,119	-	16,119	-	-	16,119
Total current assets	1,391,053	232,398	(11,827)	1,611,624	1,911,019	-	3,522,643
Property and equipment							
Land	-	1,000,000	-	1,000,000	85,255	-	1,085,255
Buildings and improvements	-	8,779,658	(11,827)	8,767,831	1,377,383	(201,333)	9,943,881
Land improvements	-	271,746	-	271,746	-	-	271,746
Leasehold improvements	-	-	-	-	1,955,084	-	1,955,084
Furniture, fixtures and equipment	-	316,282	-	316,282	253,142	-	569,424
Automobile	-	-	-	-	25,119	-	25,119
	-	10,367,686	(11,827)	10,355,859	3,695,983	(201,333)	13,850,509
Less: accumulated depreciation	-	(595,591)	-	(595,591)	(1,368,104)	30,198	(1,933,497)
Total property and equipment	-	9,772,095	(11,827)	9,760,268	2,327,879	(171,135)	11,917,012

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Financial Position (Continued)

As of December 31, 2017

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
Other assets							
Security deposit receivable	-	-	-	-	61,958	-	61,958
Sponsor loans receivable, including accrued interest receivable of \$102,330	2,455,433	-	(102,330)	2,353,103	-	(1,220,000)	1,133,103
Due from affiliate	93,420	-	(93,420)	-	439,555	(439,555)	-
Developer fees receivable - long-term	531,622	-	-	531,622	-	-	531,622
Tax credit fees, net of accumulated amortization of \$15,284	-	55,264	-	55,264	-	-	55,264
Reserves	-	225,330	-	225,330	-	-	225,330
Escrows	-	58,145	-	58,145	-	-	58,145
Project development costs	19,618	-	-	19,618	196,398	-	216,016
Investment in LLCs	(183)	-	-	(183)	-	-	(183)
Total other assets	<u>3,099,910</u>	<u>338,739</u>	<u>(195,750)</u>	<u>3,242,899</u>	<u>697,911</u>	<u>(1,659,555)</u>	<u>2,281,255</u>
Total assets	<u>\$ 4,490,963</u>	<u>\$ 10,343,232</u>	<u>\$ (219,404)</u>	<u>\$ 14,614,791</u>	<u>\$ 4,936,809</u>	<u>\$ (1,830,690)</u>	<u>\$ 17,720,910</u>

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Financial Position (Continued)

As of December 31, 2017

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
Current liabilities							
Accounts payable and accrued expenses	\$ -	\$ 8,815	\$ -	\$ 8,815	\$ 223,976	\$ -	\$ 232,791
Current portion of long-term debt	-	26,566	-	26,566	52,882	-	79,448
Management fees payable	-	9,093	-	9,093	-	-	9,093
Accrued interest - long-term debt	-	-	-	-	53,897	-	53,897
Prepaid rents	-	3,459	-	3,459	-	-	3,459
Security deposit payable	-	15,749	-	15,749	8,926	-	24,675
Total current liabilities	-	63,682	-	63,682	339,681	-	403,363
Long-term liabilities							
Due to affiliates	218,446	314,531	(93,420)	439,557	-	(439,557)	-
Developer fee payable	-	11,827	(11,827)	-	-	-	-
Sponsor loan	-	1,220,000	-	1,220,000	-	(1,220,000)	-
Accrued interest - sponsor loan	-	102,330	(102,330)	-	-	-	-
Deferred developer fee income	474,739	-	(11,827)	462,912	-	-	462,912
Long-term debt - less current portion, net of unamortized financing fees of \$149,789	-	1,876,611	-	1,876,611	1,689,899	-	3,566,510
Total long-term liabilities	693,185	3,525,299	(219,404)	3,999,080	1,689,899	(1,659,557)	4,029,422
Total liabilities	693,185	3,588,981	(219,404)	4,062,762	2,029,580	(1,659,557)	4,432,785
Net assets							
Unrestricted							
General fund	3,497,778	8,722	-	3,506,500	2,603,450	(171,133)	5,938,817
Non-controlling	-	6,745,529	-	6,745,529	-	-	6,745,529
Total unrestricted	3,497,778	6,754,251	-	10,252,029	2,603,450	(171,133)	12,684,346
Temporarily restricted	300,000	-	-	300,000	303,779	-	603,779
Total net assets	3,797,778	6,754,251	-	10,552,029	2,907,229	(171,133)	13,288,125
Total liabilities and net assets	\$ 4,490,963	\$ 10,343,232	\$ (219,404)	\$ 14,614,791	\$ 4,936,809	\$ (1,830,690)	\$ 17,720,910

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Financial Position (Continued)

As of December 31, 2016

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
Current assets							
Cash	\$ 903,672	\$ 116,590	\$ -	\$ 1,020,262	\$ 744,144	\$ -	\$ 1,764,406
Rent receivables, net of allowance for doubtful accounts of \$16,707	-	11,654	-	11,654	-	-	11,654
Grants receivable	-	-	-	-	1,199,248	-	1,199,248
Developer fees receivable - current	31,962	-	(11,827)	20,135	-	-	20,135
Resident services receivable	-	-	-	-	24,711	-	24,711
Capital contributions receivable	-	106,178	-	106,178	-	-	106,178
Prepaid insurance	-	420	-	420	16,434	-	16,854
Miscellaneous current assets	-	-	-	-	4,793	-	4,793
Tenants' security deposits	-	15,161	-	15,161	-	-	15,161
Total current assets	935,634	250,003	(11,827)	1,173,810	1,989,330	-	3,163,140
Property and equipment							
Land	-	1,000,000	-	1,000,000	85,255	-	1,085,255
Buildings and improvements	-	8,779,658	(11,827)	8,767,831	1,377,383	(201,333)	9,943,881
Land improvements	-	271,746	-	271,746	-	-	271,746
Leasehold improvements	-	-	-	-	1,955,084	-	1,955,084
Furniture, fixtures and equipment	-	316,282	-	316,282	253,142	-	569,424
Automobile	-	-	-	-	25,119	-	25,119
	-	10,367,686	(11,827)	10,355,859	3,695,983	(201,333)	13,850,509
Less: accumulated depreciation	-	(330,884)	-	(330,884)	(1,189,696)	16,778	(1,503,802)
Total property and equipment	-	10,036,802	(11,827)	10,024,975	2,506,287	(184,555)	12,346,707

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Financial Position (Continued)

As of December 31, 2016

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
Other assets							
Security deposits receivable	-	-	-	-	61,958	-	61,958
Rate lock deposit	-	-	-	-	-	-	-
Sponsor loans receivable, including accrued interest receivable of \$22,994	2,367,767	-	(22,994)	2,344,773	-	(1,220,000)	1,124,773
Due from affiliate	199,055	-	-	199,055	242,849	(441,904)	-
Developer fees receivable - long-term	609,542	-	-	609,542	-	-	609,542
Tax credit fees, net of accumulated amortization of \$7,054	-	63,494	-	63,494	-	-	63,494
Reserves	-	146,932	-	146,932	-	-	146,932
Escrows	-	56,672	-	56,672	-	-	56,672
Project Development Costs	19,618	-	-	19,618	85,171	-	104,789
Investment in LLCs	(183)	-	-	(183)	-	-	(183)
Total other assets	3,195,799	267,098	(22,994)	3,439,903	389,978	(1,661,904)	2,167,977
Total assets	\$ 4,131,433	\$ 10,553,903	\$ (46,648)	\$ 14,638,688	\$ 4,885,595	\$ (1,846,459)	\$ 17,677,824

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Financial Position (Continued)

As of December 31, 2016

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
Current liabilities							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 282,005	\$ -	\$ 282,005
Current portion of long-term debt	-	24,961	-	24,961	54,419	-	79,380
Management fees payable	-	5,962	-	5,962	-	-	5,962
Prepaid rents	-	2,498	-	2,498	-	-	2,498
Security deposit payable	-	14,791	-	14,791	6,928	-	21,719
Total current liabilities	-	48,212	-	48,212	343,352	-	391,564
Long-term liabilities							
Due to affiliates	-	441,904	-	441,904	-	(441,904)	-
Developer fee payable	-	11,827	(11,827)	-	-	-	-
Sponsor loan	-	1,220,000	-	1,220,000	-	(1,220,000)	-
Accrued interest - sponsor loan	-	22,994	(22,994)	-	-	-	-
Deferred developer fee income	379,504	-	(11,827)	367,677	-	-	367,677
Long-term debt - less current portion, net of unamortized financing fees of \$159,102	-	1,892,166	-	1,892,166	1,742,081	-	3,634,247
Total long-term liabilities	379,504	3,588,891	(46,648)	3,921,747	1,742,081	(1,661,904)	4,001,924
Total liabilities	379,504	3,637,103	(46,648)	3,969,959	2,085,433	(1,661,904)	4,393,488
Net assets							
Unrestricted							
General fund	3,451,929	(42)	-	3,451,887	1,934,395	(184,555)	5,201,727
Non-controlling	-	6,916,842	-	6,916,842	-	-	6,916,842
Total unrestricted	3,451,929	6,916,800	-	10,368,729	1,934,395	(184,555)	12,118,569
Temporarily restricted	300,000	-	-	300,000	865,767	-	1,165,767
Total net assets	3,751,929	6,916,800	-	10,668,729	2,800,162	(184,555)	13,284,336

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	Unrestricted						Temporarily Restricted			Total consolidated	
	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total - unrestricted	THCAH	Housing up		Total - restricted
Revenue											
Government contracts & grants	\$ -	\$ -	\$ -	\$ -	\$ 4,107,528	\$ -	\$ 4,107,528	\$ -	\$ -	\$ -	\$ 4,107,528
Corporate/individual contributions	100	-	-	100	371,252	-	371,352	-	280,168	280,168	651,520
In-kind donations	-	-	-	-	59,752	-	59,752	-	-	-	59,752
Rental revenue	-	461,147	-	461,147	289,683	-	750,830	-	-	-	750,830
Investment and other income	87,680	113,962	(79,336)	122,306	843	-	123,149	-	-	-	123,149
Resident services fees	-	-	-	-	125,802	-	125,802	-	-	-	125,802
Management fees	-	-	-	-	260,429	(260,429)	-	-	-	-	-
Developer fee income	220,765	-	-	220,765	-	-	220,765	-	-	-	220,765
Net assets released from purpose related restrictions	-	-	-	-	842,156	-	842,156	-	(842,156)	(842,156)	-
Total revenue	308,545	575,109	(79,336)	804,318	6,057,445	(260,429)	6,601,334	-	(561,988)	(561,988)	6,039,346
Expenses											
Program services:											
Resident services	-	-	-	-	3,276,460	-	3,276,460	-	-	-	3,276,460
Building operations	-	-	-	-	1,011,016	(13,422)	997,594	-	-	-	997,594
Affordable housing	260,429	737,658	(79,336)	918,751	190,550	(260,429)	848,872	-	-	-	848,872
Total program services expenses	260,429	737,658	(79,336)	918,751	4,478,026	(273,851)	5,122,926	-	-	-	5,122,926
Supporting services:											
Management and general	2,267	-	-	2,267	621,270	-	623,537	-	-	-	623,537
Fundraising	-	-	-	-	289,094	-	289,094	-	-	-	289,094
Total supporting services expenses	2,267	-	-	2,267	910,364	-	912,631	-	-	-	912,631
Total expenses	262,696	737,658	(79,336)	921,018	5,388,390	(273,851)	6,035,557	-	-	-	6,035,557

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Activities and Changes in Net Assets (Continued)
For the Year Ended December 31, 2017

				Unrestricted			Temporarily Restricted			Total consolidated	
	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total - unrestricted	THCAH	Housing up		Total - restricted
Change in net assets	45,849	(162,549)	-	(116,700)	669,055	13,422	565,777	-	(561,988)	(561,988)	3,789
Net assets at December 31, 2016 before non-controlling interest	3,451,929	6,916,800	-	10,368,729	1,934,395	(184,555)	12,118,569	300,000	865,767	1,165,767	13,284,336
Non-controlling interest	-	(6,916,842)	-	(6,916,842)	-	-	(6,916,842)	-	-	-	6,916,842
Net assets at December 31, 2016 attributable to Housing Up	3,451,929	(42)	-	3,451,887	1,934,395	(184,555)	5,201,727	300,000	865,767	1,165,767	6,367,494
Capital contributions - non-controlling	-	-	-	-	-	-	-	-	-	-	-
Net assets at December 31, 2017 before non-controlling interest	3,497,778	6,754,251	-	10,252,029	2,603,450	(171,133)	12,684,346	300,000	303,779	603,779	13,288,125
Non-controlling interest	-	(6,745,529)	-	(6,745,529)	-	-	(6,745,529)	-	-	-	(6,745,529)
Net assets at December 31, 2017 attributable to Housing Up	<u>\$ 3,497,778</u>	<u>\$ 8,722</u>	<u>\$ -</u>	<u>\$ 3,506,500</u>	<u>\$ 2,603,450</u>	<u>\$ (171,133)</u>	<u>\$ 5,938,817</u>	<u>\$ 300,000</u>	<u>\$ 303,779</u>	<u>\$ 603,779</u>	<u>\$ 6,542,596</u>

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Activities and Changes in Net Assets (Continued)
For the Year Ended December 31, 2016

	Unrestricted						Temporarily restricted			Total consolidated	
	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total - unrestricted	THCAH	Housing up		Total - restricted
Revenue											
Government contracts & grants	\$ -	\$ -	\$ -	\$ -	\$ 3,831,858	\$ -	\$ 3,831,858	\$ -	\$ -	\$ -	\$ 3,831,858
Corporate/individual contributions	10,000	-	-	10,000	258,579	-	268,579	300,000	865,767	1,165,767	1,434,346
In-kind donations	-	-	-	-	47,286	-	47,286	-	-	-	47,286
Rental revenue	-	595,953	-	595,953	84,543	-	680,496	-	-	-	680,496
Investment and other income	25,756	15,504	(22,994)	18,266	906	-	19,172	-	-	-	19,172
Resident services fees	-	-	-	-	90,343	-	90,343	-	-	-	90,343
Management fees	-	-	-	-	126,000	(126,000)	-	-	-	-	-
Developer fee income	94,876	-	332,066	426,942	-	-	426,942	-	-	-	426,942
Net assets released from purpose related restrictions	-	-	-	-	530,259	-	530,259	-	(530,259)	(530,259)	-
Total revenue	130,632	611,457	309,072	1,051,161	4,969,774	(126,000)	5,894,935	300,000	335,508	635,508	6,530,443
Expenses											
Program services:											
Resident services	-	-	-	-	3,269,867	-	3,269,867	-	-	-	3,269,867
Building operations	-	-	-	-	944,920	(16,778)	928,142	-	-	-	928,142
Affordable housing	126,000	852,802	(17,645)	961,157	167,238	(126,000)	1,002,395	-	-	-	1,002,395
Total program services expenses	126,000	852,802	(17,645)	961,157	4,382,025	(142,778)	5,200,404	-	-	-	5,200,404
Supporting services:											
Management and general	1,124	-	-	1,124	639,880	-	641,004	-	-	-	641,004
Fundraising	-	-	-	-	228,703	-	228,703	-	-	-	228,703
Total supporting services expenses	1,124	-	-	1,124	868,583	-	869,707	-	-	-	869,707
Total expenses	127,124	852,802	(17,645)	962,281	5,250,608	(142,778)	6,070,111	-	-	-	6,070,111

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Activities and Changes in Net Assets (Continued)
For the Year Ended December 31, 2016

	Unrestricted						Temporarily restricted			Total consolidated	
	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total - unrestricted	THCAH	Housing up		Total - restricted
Change in net assets	3,508	(241,345)	326,717	88,880	(280,834)	16,778	(175,176)	300,000	335,508	635,508	460,332
Net assets at December 31, 2015 before non-controlling interest	3,448,421	2,529,640	(326,717)	5,651,344	2,215,229	(201,333)	7,665,240	-	530,259	530,259	8,195,499
Non-controlling interest	-	(2,529,658)	-	(2,529,658)	-	-	(2,529,658)	-	-	-	(2,529,658)
Net assets at December 31, 2015 attributable to Housing Up	3,448,421	(18)	(326,717)	3,121,686	2,215,229	(201,333)	5,135,582	-	530,259	530,259	5,665,841
Capital contributions - non-controlling	-	4,628,505	-	4,628,505	-	-	4,628,505	-	-	-	4,628,505
Net assets at December 31, 2016 before non-controlling interest	3,451,929	6,916,800	-	10,368,729	1,934,395	(184,555)	12,118,569	300,000	865,767	1,165,767	13,284,336
Non-controlling interest	-	(6,916,842)	-	(6,916,842)	-	-	(6,916,842)	-	-	-	(6,916,842)
Net assets at December 31, 2016 attributable to Housing Up	<u>\$ 3,451,929</u>	<u>\$ (42)</u>	<u>\$ -</u>	<u>\$ 3,451,887</u>	<u>\$ 1,934,395</u>	<u>\$ (184,555)</u>	<u>\$ 5,201,727</u>	<u>\$ 300,000</u>	<u>\$ 865,767</u>	<u>\$ 1,165,767</u>	<u>\$ 6,367,494</u>

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Cash Flows
For the Year Ended December 31, 2017

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
Consolidating cash flows from operating activities:							
Change in net assets	\$ 45,849	\$ (162,549)	\$ -	\$ (116,700)	\$ 107,067	\$ 13,422	\$ 3,789
Adjustments to reconcile change in net assets to net cash provided by operating activities							
Depreciation and amortization	-	272,937	-	272,937	177,232	(13,422)	436,747
Loss from investment in LLCs	-	-	-	-	-	-	-
(Increase) decrease in operating assets							
Rents receivable	-	(10,256)	-	(10,256)	(1,185)	-	(11,441)
Grants receivable	-	-	-	-	102,284	-	102,284
Developer fees receivable	(134,276)	-	-	(134,276)	-	-	(134,276)
Prepaid insurance	-	(3,376)	-	(3,376)	(21,665)	-	(25,041)
Resident services receivable	-	-	-	-	(38,187)	-	(38,187)
Security deposits receivable	-	(958)	-	(958)	-	-	(958)
Miscellaneous current assets	-	-	-	-	4,793	-	4,793
Increase (decrease) in operating liabilities							
Accounts payable and accrued expenses	-	91,284	-	91,284	(2,956)	-	88,328
Prepaid rent	-	961	-	961	-	-	961
Deposits	-	958	-	958	1,998	-	2,956
Deferred developer fee income	95,235	-	-	95,235	-	-	95,235
Net cash provided by operating activities	6,808	189,001	-	195,809	329,381	-	525,190

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Cash Flows (Continued)
For the Year Ended December 31, 2017

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
Consolidating cash flows from investing activities:							
Increase in sponsor loans receivable	(87,666)	-	-	(87,666)	-	-	(87,666)
Increase in project development costs	-	-	-	-	(111,227)	-	(111,227)
Increase in reserves	-	(78,398)	-	(78,398)	-	-	(78,398)
Increase in escrows	-	(1,471)	-	(1,471)	-	-	(1,471)
(Increase) decrease in due from affiliates	105,635	-	(105,635)	-	(196,706)	196,706	-
Net cash provided by (used in) investing activities	17,969	(79,869)	(105,635)	(167,535)	(307,933)	196,706	(278,762)
Consolidating cash flows from consolidating cash flows from financing activities:							
Capital contributions	-	106,178	-	106,178	-	-	106,178
Principal payments on long-term debt	-	(13,950)	-	(13,950)	(53,719)	-	(67,669)
Increase (decrease) in due to affiliates	218,446	(127,375)	105,635	196,706	-	(196,706)	-
Net cash provided by (used in) financing activities	218,446	(35,147)	105,635	288,934	(53,719)	(196,706)	38,509
Net increase (decrease) in cash	243,223	73,985	-	317,208	(32,271)	-	284,937
Cash - beginning of year	903,672	116,590	-	1,020,262	744,144	-	1,764,406
Cash - end of year	<u>\$ 1,146,895</u>	<u>\$ 190,575</u>	<u>\$ -</u>	<u>\$ 1,337,470</u>	<u>\$ 711,873</u>	<u>\$ -</u>	<u>\$ 2,049,343</u>
Supplemental disclosure of cash flow information:							
Cash paid during the year for:							
Interest	<u>\$ -</u>	<u>\$ 103,201</u>	<u>\$ -</u>	<u>\$ 103,201</u>	<u>\$ 219,772</u>	<u>\$ -</u>	<u>\$ 322,973</u>

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Cash Flows (Continued)
For the Year Ended December 31, 2016

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
Consolidating cash flows from operating activities:							
Change in net assets	\$ 303,508	\$ (241,345)	\$ -	\$ 62,163	\$ 54,674	\$ -	\$ 116,837
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities							
Depreciation and amortization	-	259,930	-	259,930	178,838	-	438,768
Loss from investment in LLCs	(105)	-	-	(105)	-	-	(105)
(Increase) decrease in operating assets							
Rents receivable	-	22,494	-	22,494	-	-	22,494
Grants receivable	-	-	-	-	(614,538)	-	(614,538)
Developer fees receivable	816,427	-	-	816,427	-	-	816,427
Prepaid insurance	-	1,882	-	1,882	27,514	-	29,396
Resident services receivable	-	-	-	-	(24,711)	-	(24,711)
Security deposits receivable	-	(1,051)	-	(1,051)	-	-	(1,051)
Increase (decrease) in operating liabilities							
Accounts payable and accrued expenses	-	(7,521)	-	(7,521)	(224,332)	-	(231,853)
Prepaid rent	-	1,888	-	1,888	-	-	1,888
Deposits	-	(172)	-	(172)	(9,123)	-	(9,295)
Deferred developer fee income	(94,876)	-	-	(94,876)	-	-	(94,876)
Net cash provided by (used in) operating activities	1,024,954	36,105	-	1,061,059	(611,678)	-	449,381
Consolidating cash flows from investing activities:							
Construction costs paid	-	(1,426,846)	-	(1,426,846)	-	-	(1,426,846)
Purchase of fixed assets	-	-	-	-	(152,477)	-	(152,477)
Increase in sponsor loans receivable	(25,770)	-	-	(25,770)	-	-	(25,770)
Increase in project development costs	(19,618)	-	-	(19,618)	(85,171)	-	(104,789)
Increase in escrows	-	(56,672)	-	(56,672)	-	-	(56,672)
Increase in reserves	-	(104,238)	-	(104,238)	-	-	(104,238)
Increase in rate lock deposit	-	41,400	-	41,400	-	-	41,400
(Increase) decrease in due from affiliates	(114,709)	-	-	(114,709)	190,935	(76,226)	-
Net cash used in investing activities	(160,097)	(1,546,356)	-	(1,706,453)	(46,713)	(76,226)	(1,829,392)

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Cash Flows (Continued)
For the Year Ended December 31, 2016

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
Consolidating cash flows from financing activities:							
Capital contributions	-	4,522,327	-	4,522,327	-	-	4,522,327
Proceeds on long-term debt	-	2,070,000	-	2,070,000	421,911	-	2,491,911
Principal payments on long-term debt	-	(11,438)	-	(11,438)	(9,970)	-	(21,408)
Net payments on line of credit	-	(4,890,920)	-	(4,890,920)	-	-	(4,890,920)
Increase in due to affiliates	-	(76,226)	-	(76,226)	-	76,226	-
Net cash provided by financing activities	-	1,613,743	-	1,613,743	411,941	76,226	2,101,910
Net increase (decrease) in cash	864,857	103,492	-	968,349	(246,450)	-	721,899
Cash - beginning of year	38,816	13,097	-	51,913	990,594	-	1,042,507
Cash - end of year	<u>\$ 903,673</u>	<u>\$ 116,589</u>	<u>\$ -</u>	<u>\$ 1,020,262</u>	<u>\$ 744,144</u>	<u>\$ -</u>	<u>\$ 1,764,406</u>
Supplemental disclosure of cash flow information:							
Cash paid during the year for:							
Interest	<u>\$ -</u>	<u>\$ 103,201</u>	<u>\$ -</u>	<u>\$ 103,201</u>	<u>\$ 236,614</u>	<u>\$ -</u>	<u>\$ 339,815</u>

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Direct Awards:		
U.S. Department of Housing and Urban Development Supportive Housing Programs ¹	14.235	
ARRA Expenditures		\$ -
Non-ARRA Expenditures		<u>864,212</u>
Total Expenditures		<u>864,212</u>
Pass Through Awards from the District of Columbia:		
U.S. Department of Health and Human Services Temporary Assistance for Needy Families ²	93.558	
ARRA Expenditures		\$ -
Non-ARRA Expenditures		<u>1,611,771</u>
Total Expenditures		<u>1,611,771</u>
Total		<u>\$ 2,475,983</u>

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Transitional Housing Corporation DBA Housing Up And Affiliate under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Transitional Housing Corporation DBA Housing Up And Affiliate, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Transitional Housing Corporation DBA Housing Up And Affiliate.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Corporation has elected to use the ten percent (10%) de minimis indirect cost rate allowed under the Uniform Guidance.

See independent auditor's report.

Transitional Housing Corporation DBA Housing Up And Affiliate

Schedule of Expenditures of Federal Awards (Continued)

For the Year Ended December 31, 2017

1 Continuum of care homeless assistance program – PA I contract	\$	148,936
Community partnership for the prevention of homelessness – PA II contract		113,727
Community partnership for the prevention of homelessness – housing with care		407,431
Community partnership for the prevention of homelessness – Homeward FRP		<u>194,118</u>
	\$	864,212
2 Community partnership for the prevention of homelessness – DHS PA III cont	\$	497,780
Community partnership for the prevention of homelessness – DHS FRSP		1,037,365
Community partnership for the prevention of homelessness – Homeward FRP		<u>76,626</u>
	\$	1,611,771

See independent auditor's report.



**Independent Auditor's Report
on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Directors
Transitional Housing Corporation DBA Housing Up And Affiliate
5101 16th Street, NW
Washington, DC 20011

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Transitional Housing Corporation DBA Housing Up And Affiliate, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated September 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Transitional Housing Corporation DBA Housing Up And Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Transitional Housing Corporation DBA Housing Up And Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transitional Housing Corporation DBA Housing Up And Affiliate's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Transitional Housing Corporation DBA Housing Up And Affiliate's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Transitional Housing Corporation DBA Housing Up And Affiliate
Independent Auditor's Report
on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Page 2 of 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Transitional Housing Corporation DBA Housing Up And Affiliate's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Transitional Housing Corporation DBA Housing Up And Affiliate's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Transitional Housing Corporation DBA Housing Up And Affiliate's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hertzbach & Company, P.A.

Owings Mills, Maryland
September 29, 2018



**Independent Auditor's Report
on Compliance for Each Major Program and on Internal Control
Over Compliance Required by The Uniform Guidance**

To the Board of Directors
Transitional Housing Corporation DBA Housing Up And Affiliate
5101 16th Street, NW
Washington, DC 20011

Report on Compliance for Each Major Program

We have audited Transitional Housing Corporation DBA Housing Up And Affiliate's compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of Transitional Housing Corporation DBA Housing Up And Affiliate's major federal program for the year ended December 31, 2017. Transitional Housing Corporation DBA Housing Up And Affiliate's major federal programs are identified in the summary of auditor's 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Transitional Housing Corporation DBA Housing Up And Affiliate's major federal program 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 we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Transitional Housing Corporation DBA Housing Up And Affiliate's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Transitional Housing Corporation DBA Housing Up And Affiliate complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of Transitional Housing Corporation DBA Housing Up And Affiliate is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Transitional Housing Corporation DBA Housing Up And Affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Transitional Housing Corporation DBA Housing Up And Affiliate's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance.

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
September 29, 2018

Transitional Housing Corporation DBA Housing Up And Affiliate

Schedule of Findings and Questioned Costs
For the Years Ended December 31, 2017

Summary of Auditor's Results

- 1) The auditor's report expresses an unmodified opinion on the consolidated financial statements of Transitional Housing Corporation DBA Housing Up And Affiliate.
- 2) No significant deficiencies in internal control were identified during the audit of the consolidated financial statements.
- 3) No instances of noncompliance material to the consolidated financial statements of Transitional Housing Corporation DBA Housing Up And Affiliate which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
- 4) No material weaknesses or significant deficiencies in internal controls over the major federal award program were identified during the audit.
- 5) The auditor's report on compliance for the major federal award programs for Transitional Housing Corporation DBA Housing Up And Affiliate expresses an unmodified opinion on the major federal program.
- 6) There are no audit findings relative to the major federal award program for Transitional Housing Corporation DBA Housing Up 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 \$750,000.
- 9) Transitional Housing Corporation DBA Housing Up And Affiliate was determined to be a low-risk auditee.

Findings – Consolidated Financial Statement Audit

None

Findings And Questioned Costs – Major Federal Awards Program

None