

# **Transitional Housing Corporation DBA Housing Up And Affiliate**

## **Consolidated Financial Statements**

**For the Years Ended December 31, 2020 and 2019**

# Transitional Housing Corporation DBA Housing Up And Affiliate

## Table of Contents

For the Years Ended December 31, 2020 and 2019

---

Independent Auditor's Report	1-2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3-4
Consolidated Statements of Activities	5-6
Consolidated Statements of Changes in Net Assets	7
Consolidated Statements of Functional Expenses	8-9
Consolidated Statements of Cash Flows	10-11
Notes to Consolidated Financial Statements	12-28
Supplementary Information	
Consolidating Statements of Financial Position	29-32
Consolidating Statements of Activities	33-34
Consolidating Statements of Changes in Net Assets	35
Consolidating Statements of Cash Flows	36-39
Schedule of Expenditures of Federal Awards	40-41
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 <i>Government Auditing Standards</i>	42-43
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance	44-45
Schedule of Findings and Questioned Costs	46



## Independent Auditor's Report

To the Board of Directors  
Transitional Housing Corporation DBA Housing Up And Affiliate  
1322 Main Drive NW Abrams Hall  
Washington, DC 20012

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Transitional Housing Corporation DBA Housing Up And Affiliate, which comprise the consolidated statement of financial position as of December 31, 2020, 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.

### 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 audit. We conducted our audit 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 audit 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, 2020, and results of its activities, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating supplementary information shown on pages 29 - 39 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 40-41, 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 2020 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 2020 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The 2019 supplementary information was subjected to the auditing procedures applied in the 2019 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2019 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 October 28, 2021 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.

### **Prior Period Consolidated Financial Statements**

The consolidated financial statements of Transitional Housing Corporation DBA Housing Up And Affiliate as of December 31, 2019 were audited by other auditors whose report dated October 15, 2020 expressed an unmodified opinion on those statements.

SC+H attest services, P.C.

Sparks, Maryland  
October 28, 2021

# Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidated Statements of Financial Position

As of December 31, 2020 and 2019

Assets	2020	2019
<b>Current assets</b>		
Cash	\$ 3,061,843	\$ 3,491,102
Rents receivable, net of allowance for doubtful accounts of \$69,372 - 2020 and \$30,891 - 2019	49,323	144,445
Grants receivable	1,293,653	796,111
Current portion of developer fees receivable	30,390	-
Resident service fees receivable	57,149	72,908
Prepaid expenses	235,014	232,750
Tenants' security deposits	19,207	17,776
Total current assets	<u>4,746,579</u>	<u>4,755,092</u>
<b>Property and equipment</b>		
Land	1,085,000	1,085,255
Buildings and improvements	11,852,104	11,875,933
Land improvements	271,746	271,746
Leasehold improvements	1,960,226	1,970,784
Furniture, fixtures, and equipment	524,951	575,524
Automobile	-	25,119
	<u>15,694,027</u>	<u>15,804,361</u>
Less: accumulated depreciation	<u>3,181,439</u>	<u>2,875,274</u>
Total property and equipment	<u>12,512,588</u>	<u>12,929,087</u>
<b>Other assets</b>		
Security deposit receivable	9,074	61,958
Sponsor loans receivable, including accrued interest receivable of \$29,655 - 2020 and \$25,554 - 2019	1,435,515	1,429,639
Developer fees receivable - less current portion	438,866	469,256
Project development costs	-	19,618
Reserves	268,330	255,330
Escrows	61,845	60,645
Tax credit fees, net of accumulated amortization of \$36,448 - 2020 and \$30,569 - 2019	34,100	41,153
Investments in LLCs	(183)	(183)
Other investments	3,486,399	-
Total other assets	<u>5,733,946</u>	<u>2,337,416</u>
Total assets	<u>\$ 22,993,113</u>	<u>\$ 20,021,595</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 372,764	\$ 374,360
Current portion of long-term debt	125,894	745,293
Deferred revenue	110,340	-
Asset management fee payable	19,788	15,736
Accrued interest - long-term debt	204,347	155,231
Prepaid rents	901	2,278
Paycheck protection program loan	416,207	-
Tenant security deposits held in trust (contra)	15,960	14,079
	<u>1,266,201</u>	<u>1,306,977</u>
Total current liabilities		
<b>Long-term liabilities</b>		
Long-term debt - less current portion and unamortized financing fees of \$154,892 - 2020 and \$164,230 - 2019	<u>4,576,756</u>	<u>4,592,105</u>
Total long-term liabilities	<u>4,576,756</u>	<u>4,592,105</u>
Total liabilities	<u>5,842,957</u>	<u>5,899,082</u>
<b>Commitments and contingencies (Note 17)</b>		
<b>Net assets</b>		
Net assets without donor restrictions		
Controlling	10,834,981	7,538,242
Non-controlling	<u>5,703,098</u>	<u>6,050,903</u>
Total net assets without donor restrictions	16,538,079	13,589,145
Net assets with donor restrictions	<u>612,077</u>	<u>533,368</u>
Total net assets	<u>17,150,156</u>	<u>14,122,513</u>
Total liabilities and net assets	<u>\$ 22,993,113</u>	<u>\$ 20,021,595</u>

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

# Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidated Statements of Activities  
For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
<b>Revenue</b>			
Government contracts and grants	\$ 8,684,556	\$ -	\$ 8,684,556
Corporate/individual contributions	3,121,139	226,000	3,347,139
In-kind donations	68,946	-	68,946
Rental revenue	967,070	-	967,070
Investment and other income	221,346	-	221,346
Debt forgiveness income	520,980	-	520,980
Resident services fees	63,015	-	63,015
Developer fees	40,000	-	40,000
Net assets released from purpose related restrictions	147,291	(147,291)	-
Total revenue	<u>13,834,343</u>	<u>78,709</u>	<u>13,913,052</u>
<b>Expenses</b>			
Program services:			
Resident services	6,939,115	-	6,939,115
Building operations	1,169,661	-	1,169,661
Affordable housing	1,008,786	-	1,008,786
Total program services expenses	<u>9,117,562</u>	<u>-</u>	<u>9,117,562</u>
Supporting services:			
Management and general	1,544,931	-	1,544,931
Fundraising	222,916	-	222,916
Total supporting services expenses	<u>1,767,847</u>	<u>-</u>	<u>1,767,847</u>
Total expenses	<u>10,885,409</u>	<u>-</u>	<u>10,885,409</u>
<b>Change in net assets before non-controlling interest</b>	2,948,934	78,709	3,027,643
<b>Change in net assets attributable to non-controlling interest</b>	<u>347,805</u>	<u>-</u>	<u>347,805</u>
<b>Change in net assets attributable to Housing Up</b>	<u>\$ 3,296,739</u>	<u>\$ 78,709</u>	<u>\$ 3,375,448</u>

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

# Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidated Statements of Activities (Continued)

For the Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
<b>Revenue</b>			
Government contracts and grants	\$ 7,125,884	\$ -	\$ 7,125,884
Corporate/individual contributions	586,793	120,291	707,084
In-kind donations	24,830	-	24,830
Rental revenue	912,788	-	912,788
Investment and other income	15,834	-	15,834
Resident services fees	70,332	-	70,332
Developer fees	23,370	-	23,370
Net assets released from purpose related restrictions	37,565	(37,565)	-
Total revenue	<u>8,797,396</u>	<u>82,726</u>	<u>8,880,122</u>
<b>Expenses</b>			
Program services:			
Resident services	5,931,176	-	5,931,176
Building operations	876,600	-	876,600
Affordable housing	919,319	-	919,319
Total program services expenses	<u>7,727,095</u>	<u>-</u>	<u>7,727,095</u>
Supporting services:			
Management and general	1,001,166	-	1,001,166
Fundraising	203,008	-	203,008
Total supporting services expenses	<u>1,204,174</u>	<u>-</u>	<u>1,204,174</u>
Total expenses	<u>8,931,269</u>	<u>-</u>	<u>8,931,269</u>
<b>Change in net assets before non-controlling interest</b>	(133,873)	82,726	(51,147)
<b>Change in net assets attributable to non-controlling interest</b>	<u>282,489</u>	<u>-</u>	<u>282,489</u>
<b>Change in net assets attributable to Housing Up</b>	<u>\$ 148,616</u>	<u>\$ 82,726</u>	<u>\$ 231,342</u>

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



# Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidated Statements of Changes in Net Assets  
For the Years Ended December 31, 2020 and 2019

	Without donor restrictions			With donor restrictions	Total consolidated
	Controlling	Non-controlling	Total		
<b>Net assets, January 1, 2019</b>	\$ 7,389,626	\$ 6,333,392	\$ 13,723,018	\$ 450,642	\$ 14,173,660
<b>Change in net assets</b>	<u>148,616</u>	<u>(282,489)</u>	<u>(133,873)</u>	<u>82,726</u>	<u>(51,147)</u>
<b>Net assets, December 31, 2019</b>	7,538,242	6,050,903	13,589,145	533,368	14,122,513
<b>Change in net assets</b>	<u>3,296,739</u>	<u>(347,805)</u>	<u>2,948,934</u>	<u>78,709</u>	<u>3,027,643</u>
<b>Net assets, December 31, 2020</b>	<u>\$ 10,834,981</u>	<u>\$ 5,703,098</u>	<u>\$ 16,538,079</u>	<u>\$ 612,077</u>	<u>\$ 17,150,156</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, 2020

	Program services				Supporting services			Total expenses
	Resident services	Building operations	Affordable housing	Total program services	Management and general	Fundraising	Total supporting services	
Salaries	\$ 3,711,077	\$ 32,602	\$ 255,045	\$ 3,998,724	\$ 551,009	\$ 127,731	\$ 678,740	\$ 4,677,464
Rent	2,017,080	8,400	-	2,025,480	-	-	-	2,025,480
Payroll taxes and fringe benefits	776,001	6,927	54,840	837,768	117,077	27,140	144,217	981,985
Other professional fees	95,378	414,734	17,828	527,940	143,999	10,785	154,784	682,724
Depreciation and amortization	-	247,068	271,762	518,830	-	-	-	518,830
Repairs and maintenance	75,175	174,643	92,934	342,752	123,366	-	123,366	466,118
Interest	-	135,003	130,858	265,861	-	-	-	265,861
Accounting and legal	-	-	-	-	246,573	-	246,573	246,573
Utilities	11,998	79,626	74,547	166,171	57,395	-	57,395	223,566
Family services	211,893	-	-	211,893	-	-	-	211,893
Office expense	29,282	69,873	16,662	115,817	114,619	1,103	115,722	231,539
Insurance	-	-	18,139	18,139	110,160	-	110,160	128,299
Bad debts	-	-	47,827	47,827	-	-	-	47,827
Special events	-	-	-	-	6,518	54,966	61,484	61,484
Miscellaneous	3,450	785	26,770	31,005	27,071	-	27,071	58,076
Information technology	7,309	-	-	7,309	23,630	-	23,630	30,939
Travel	472	-	-	472	13,231	1,191	14,422	14,894
Membership dues and fees	-	-	-	-	6,292	-	6,292	6,292
Other taxes and licenses	-	-	1,574	1,574	3,991	-	3,991	5,565
	<u>\$ 6,939,115</u>	<u>\$ 1,169,661</u>	<u>\$ 1,008,786</u>	<u>\$ 9,117,562</u>	<u>\$ 1,544,931</u>	<u>\$ 222,916</u>	<u>\$ 1,767,847</u>	<u>\$ 10,885,409</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, 2019

	Program services				Supporting services		Total supporting services	Total expenses
	Resident services	Building operations	Affordable housing	Total program services	Management and general	Fundraising		
Salaries	\$ 3,411,854	\$ 34,847	\$ 216,003	\$ 3,662,704	\$ 117,040	\$ 126,745	\$ 243,785	\$ 3,906,489
Rent	1,482,257	8,400	-	1,490,657	38,940	-	38,940	1,529,597
Payroll taxes and fringe benefits	739,760	7,556	45,977	793,293	25,377	27,481	52,858	846,151
Depreciation and amortization	-	242,454	271,762	514,216	-	-	-	514,216
Repairs and maintenance	67,401	175,609	103,407	346,417	130,069	-	130,069	476,486
Other professional fees	65,227	145,392	48,465	259,084	160,478	4,995	165,473	424,557
Interest	-	139,369	132,940	272,309	-	-	-	272,309
Accounting and legal	-	-	-	-	245,404	-	245,404	245,404
Utilities	20,808	62,706	52,833	136,347	57,133	-	57,133	193,480
Office expense	12,796	58,492	20,275	91,563	74,452	2,654	77,106	168,669
Family services	85,371	-	-	85,371	-	-	-	85,371
Insurance	-	-	19,286	19,286	48,949	-	48,949	68,235
Miscellaneous	-	1,775	6,710	8,485	49,303	-	49,303	57,788
Travel	45,702	-	-	45,702	1,375	4,466	5,841	51,543
Special events	-	-	-	-	13,019	36,667	49,686	49,686
Bad debts	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	30,403	-	30,403	30,403
Membership dues and fees	-	-	-	-	8,724	-	8,724	8,724
Other taxes and licenses	-	-	1,661	1,661	500	-	500	2,161
	<u>\$ 5,931,176</u>	<u>\$ 876,600</u>	<u>\$ 919,319</u>	<u>\$ 7,727,095</u>	<u>\$ 1,001,166</u>	<u>\$ 203,008</u>	<u>\$ 1,204,174</u>	<u>\$ 8,931,269</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, 2020 and 2019

	2020	2019
<b>Consolidated cash flows from operating activities</b>		
Change in net assets	\$ 3,027,643	\$ (51,147)
Adjustments to reconcile change in net assets to net cash and restricted cash provided by operating activities		
Depreciation and amortization	526,901	513,470
Contribution of stock	(2,504,347)	-
Unrealized gain on investments	(169,821)	-
Realized gain on investments	(8,572)	-
Dividends on investments	(23,849)	-
Forgiveness of debt	(520,980)	-
(Increase) decrease in operating assets:		
Rents receivable	95,122	(103,802)
Security deposit receivable	52,884	-
Grants receivable	(497,542)	188,078
Developer fees receivable	-	86,600
Prepaid expenses	(2,264)	(175,596)
Resident services receivable	15,759	(27,569)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	51,572	206,353
Deferred revenue	110,340	-
Prepaid rents	(1,377)	(11,202)
Security deposits held in trust	1,881	(17,230)
Deferred developer fee income	-	(23,370)
Net cash and restricted cash provided by operating activities	<u>153,350</u>	<u>584,585</u>
<b>Consolidated cash flows from investing activities</b>		
Purchase of fixed assets	(94,011)	(411,347)
Purchase of investments	(779,810)	-
Increase in sponsor loans receivable	(5,876)	(760)
Decrease in project development costs	<u>19,618</u>	<u>-</u>
Net cash and restricted cash used in investing activities	<u>(860,079)</u>	<u>(412,107)</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, 2020 and 2019

	2020	2019
<b>Consolidated cash flows from financing activities</b>		
Proceeds from long-term debt	\$ -	\$ 1,117,504
Principal payments on long-term debt	(644,086)	(602,882)
Paycheck protection program loan proceeds	937,187	-
Net cash and restricted cash provided by financing activities	293,101	514,622
<b>Net increase (decrease) in cash and restricted cash</b>	(413,628)	687,100
Cash and restricted cash, beginning of year	3,824,853	3,137,753
Cash and restricted cash, end of year	<u>\$ 3,411,225</u>	<u>\$ 3,824,853</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ 208,923</u>	<u>\$ 241,767</u>

The following table provides a reconciliation of cash and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts presented in cash and restricted cash, end of year, above:

Cash	\$ 3,061,843	\$ 3,491,102
Tenants' security deposits	19,207	17,776
Reserves	268,330	255,330
Escrows	61,845	60,645
Total cash and restricted cash, end of year	<u>\$ 3,411,225</u>	<u>\$ 3,824,853</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, 2020 and 2019

---

## 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, decreased due to a downward adjuster, 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 were 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*

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation are classified in the following two classes:

**Net assets with donor restrictions** consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources maintained in perpetuity, but permit the Corporation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

**Net assets without donor restrictions** represents funds that are available for support of the operations of the Corporation, and that are not subject to donor stipulation.

*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, 2020 and 2019

---

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

### *Basis of Presentation (Continued)*

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of 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. During the year ended December 31, 2020 and 2019, Housing Up placed in service development costs of \$19,618 and \$206,211, respectively, related to its PA2 project. As of December 31, 2020 and 2019, \$0 and \$19,618, respectively, remain on the accompanying statements of financial position.

### *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, 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 Financial Accounting Standards Board (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 8 for more information.

### *Method of Accounting*

The Corporation's consolidated 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, 2020 and 2019.

*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, 2020 and 2019

---

## 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, 2020 and 2019. 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, 2020 and 2019 is the equity in the capital balance of the investor member's interest of \$5,703,098 and \$6,050,903, 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, 2020 and 2019.

### *Investments*

Investments with readily determinable fair values are recorded at fair market value. Income is recognized from interest and dividends as earned. Marketable securities consist of equity, mutual funds, and exchange-traded products. The Corporation's marketable securities are trading securities carried at fair value based on quoted market prices (Level 1) at the date nearest the financial position date. Unrealized gains or losses are included in investment and other income in the accompanying consolidated statements of activities. See Note 6 for more information.

### *Investment in LLCs*

The investment in 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.

### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Indirect costs have been allocated to program services, management and general, and fundraising based on the proportion of staff salaries and fringe benefits expenses directly charged to those cost centers. Direct expenses are allocated based on the percentage of time spent on various programs. Estimates may be used in developing allocations of expenses by function.

### *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.

*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, 2020 and 2019

---

## 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 net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Corporation earns resident service fees from contracts for providing services for the benefit of residents of affordable housing properties. Resident service fees are recognized as revenue on a straight-line basis over the term of the annual service period.

Development fees are recognized as earned by the Corporation when paid at initial closing and during the construction period based on percentage of completion of the construction contract, a cost-based input method. 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.

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 2020 and 2019, the Corporation received in-kind donations of professional services, construction materials, services related to the refurbishing of apartment units and other goods valued at \$68,946 and \$24,830, respectively, which are reported as in-kind donations in the accompanying consolidated statements of activities and changes in net assets. During 2020 and 2019, the Corporation also received approximately 562 and 799 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.

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. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

### ***Reclassification***

Certain amounts previously presented have been reclassified to conform with the current year presentation.

*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, 2020 and 2019

---

## 2) Accounting Pronouncements Adopted

### *Recently Issued Accounting Pronouncement*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will be effective for fiscal years beginning after December 15, 2021. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous leases guidance. Lessor accounting is largely unchanged. For lessees, leases under both categories will be reported on the consolidated statements of financial position as a depreciable right-to-use asset and a liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt ASU 2016-02 and will assess the future impact on any leases.

## 3) 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.

## 4) Concentration of Credit Risk

The Corporation maintains its cash balances in several accounts at various financial institutions. At times, these balances may exceed the federal insured limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2020.

## 5) Liquidity Analysis

At December 31, 2020, the Corporation has \$4,461,968 of financial assets available to meet needs for general expenditures consisting of cash of \$3,061,843 and \$1,400,125 of accounts, grants, and service fees receivable. At December 31, 2019, the Corporation had \$4,504,566 of financial assets available to meet the needs for general expenditures consisting of cash of \$3,491,102 and \$1,013,464 of accounts, grants, and service fees receivable. None of the financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the Corporation in the next 12 months.

The Corporation manages its liquidity by developing annual operating budgets and utilizing quarterly cash flow projections. These disciplines ensure that sufficient funds are available for general expenditures as liabilities and obligations come due. The cash needs of the Corporation are expected to be met on a monthly basis from fees derived from government grants and corporate/individual contributors. As part of the Corporation's liquidity management plan, excess annual cash is designated by the board into the Armstrong Fund savings account for Housing Up and a savings account for THCAH, which are invested in various short-term CDs and money market funds. In general, the Corporation aims to maintain sufficient financial assets on hand to meet at least two months worth of operating expenses.

*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, 2020 and 2019

---

## 6) Investments and Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value for assets and liabilities subject to fair value measurement. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 - Inputs to the valuation methodology include the following

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable substantially the full term of the asset or liability.

Level 3 - Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Corporation believes its valuation method is appropriate and consistent with other market participants, the use of other methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

*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, 2020 and 2019

---

## 6) Investments and Fair Value Measurements (Continued)

As of December 31, 2020 and 2019, all investments are measured as Level 1 within the fair value hierarchy. The following table sets forth the Corporation's investments at fair value as of December 31:

	2020	2019
Equities	\$ 2,546,082	\$ -
Mutual Funds	873,937	-
Exchange-Traded Products	66,380	-
Total	<u>\$ 3,486,399</u>	<u>\$ -</u>

For the year ended December 31, 2020, the Corporation's investment income consists of an unrealized investment gain of \$169,821, a realized gain of \$8,572, and interest/dividends of \$34,809, which is included in investment and other income on the accompanying consolidated statements of activities.

## 7) Investment in Limited Liability Companies

THCAH acquired a membership interest in Abrams Hall GP Member, LLC (Abrams Hall) in 2017. THCAH owns a 51% membership interest in Abrams Hall, which owns a 0.01% general partner interest in Abrams Hall Senior LP, which was formed to acquire, develop, own, and operate a low-income residential rental housing project. While THCAH has economic interest in Abrams Hall, it does not have control. Therefore, its financial statements are not consolidated in the financial statements of the Corporation.

THCAH acquired a membership interest in Hedin House Preservation, LLC (Hedin House) in 2017. THCAH owns a 51% membership interest in Hedin House, which owns a 0.01% general partner interest in Hedin House Preservation LP, which was formed to acquire, develop, own, and operate a low-income residential rental housing project. While THCAH has economic interest in Hedin House, it does not have control. Therefore, its financial statements are not consolidated in the financial statements of the Corporation.

THCAH acquired a membership interest in Glenn Arms Preservation, LLC (Glenn Arms) in 2017. THCAH owns a 51% membership interest in Glenn Arms, which owns a 0.01% general partner interest in Glenn Arms Preservation LP, which was formed to acquire, develop, own, and operate a low-income residential rental housing project. While THCAH has economic interest in Glenn Arms, it does not have control. Therefore, its financial statements are not consolidated in the financial statements of the Corporation.

THCAH acquired, in 2011, 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 financial statements are not consolidated in the financial statements of the Corporation.

*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, 2020 and 2019

---

## **7) Investment in Limited Liability Companies (Continued)**

THCAH acquired, in 2011, 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 financial statements are not consolidated in the financial statements of the Corporation.

The summarized combined balance sheets and combined statements of operations of the LLCs for which THCAH has an investment through the general partner entity at December 31, 2020 and 2019 as of and 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, 2020 and 2019

## 7) Investment in Limited Liability Companies (Continued)

Combined Balance Sheets

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Investment in real estate:</b>		
Land and land improvements	\$ 11,235,330	\$ 2,667,365
Building and improvements	72,444,107	26,837,396
Furniture and equipment	2,812,602	163,181
	<u>86,492,039</u>	<u>29,667,942</u>
Accumulated depreciation	<u>(10,290,878)</u>	<u>(6,510,468)</u>
	<u>76,201,161</u>	<u>23,157,474</u>
<b>Other assets:</b>		
Cash	1,090,654	22,312
Accounts receivable	418,054	91,670
Prepaid expenses	77,852	25,602
Intangibles	368,698	46,386
Escrows and reserves	3,337,455	1,372,862
	<u>5,292,713</u>	<u>1,558,832</u>
Total assets	<u>\$ 81,493,874</u>	<u>\$ 24,716,306</u>
<b>Liabilities and Partners' Equity</b>		
<b>Liabilities applicable to real estate:</b>		
Mortgage and bonds payable	\$ 32,730,605	\$ 7,038,976
Notes and loans payable	19,008,669	14,565,645
Total liabilities applicable to real estate	<u>51,739,274</u>	<u>21,604,621</u>
<b>Other liabilities:</b>		
Accounts payable and accrued expenses	744,755	128,779
Tenant security deposit and other liabilities	2,476,484	737,413
Due to related party	990,909	934,550
Total other liabilities	<u>4,212,148</u>	<u>1,800,742</u>
Total liabilities	<u>55,951,422</u>	<u>23,405,363</u>
<b>Partners' equity</b>	<u>25,542,452</u>	<u>1,310,943</u>
<b>Total liabilities and partners' equity</b>	<u>\$ 81,493,874</u>	<u>\$ 24,716,306</u>
<b>THCAH portion of equity</b>	<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, 2020 and 2019

---

## 7) Investment in Limited Liability Companies (Continued)

Combined Statements of Operations

	<u>2020</u>	<u>2019</u>
<b>Revenue:</b>		
Rents	\$ 4,642,113	\$ 1,784,138
Interest	1,798	3,204
Other	298,730	36,266
Total revenue	<u>4,942,641</u>	<u>1,823,608</u>
<b>Expenses:</b>		
Administrative	821,954	361,050
Operating and maintenance	1,277,936	452,321
Taxes and insurance	361,614	216,782
Utilities	825,923	240,681
Depreciation and amortization	2,164,009	707,968
Interest	1,742,974	518,852
Other expenses	408,409	147,034
Total expenses	<u>7,602,819</u>	<u>2,644,688</u>
Net loss	<u>\$ (2,660,178)</u>	<u>\$ (821,080)</u>
THCAH portion of net loss	<u>\$ (134)</u>	<u>\$ (39)</u>

## 8) Long-Term Debt

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

	<u>2020</u>	<u>2019</u>
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 16); any remaining principal and accrued interest is due March 31, 2055.	\$ 715,297	\$ 715,297

*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, 2020 and 2019

## 8) Long-Term Debt (Continued)

	2020	2019
Mortgage loan of \$1,120,000 with LISC collateralized by Partner Arms I. Interest accrues at 6.25% per annum; monthly principal and interest payments are \$4,787; any remaining principal and accrued interest is due May 1, 2028.	\$ 333,824	\$ 360,884
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.	1,948,454	1,978,350
Construction loan of up to \$1,291,728 through LISC. Interest accrues at 6% per annum. Monthly principal and interest payments are \$8,640. The loan is secured by a Deed of Trust on the property. Loan matures October 1, 2029.	704,598	1,291,728
Mortgage loan of \$1,155,369 with DHCD through Housing Production Trust Fund (HPTF). Interest accrues at 3% per annum, principal and interest payments began on December 18, 2019 due from 75% of Available Cash Flow of PA2. The loan is secured by a Second Deed of Trust on the property. Loan matures January 2058.	1,155,369	1,155,369
Total	4,857,542	5,501,628
Less: current portion	125,894	745,293
Less: unamortized financing fees	154,892	164,230
Long-term portion, net of unamortized financing fees	\$ 4,576,756	\$ 4,592,105

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

2021	\$ 125,894
2022	140,630
2023	149,583
2024	158,687
2025	169,023
2026 and thereafter	4,113,725
Total	\$ 4,857,542

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, 2020 and 2019

---

## 8) Long-Term Debt (Continued)

Interest incurred on the notes and mortgages payable for the years ended December 31, 2020 and 2019 was \$262,338 and \$272,309, respectively, including capitalized interest of \$0 and \$15,056, respectively, and amortization of financing fees of \$8,076 and \$8,596, respectively.

Estimated financing fees being amortized to interest expense for each of the next five years are \$8,076.

## 9) Paycheck Protection Program Loan

On March 27, 2020, Congress passed a \$2 trillion stimulus bill, the Coronavirus Aid, Relief and Economic Security (CARES) Act, which provides significant tax and non-tax stimulus to individuals and businesses.

In April 2020, the Company entered into a loan in the amount of \$937,187 with a commercial bank under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP), which was established by the CARES Act. The loan is eligible for forgiveness pursuant to terms and conditions of the CARES Act, which minimally requires that (1) the loan proceeds be used to cover eligible expenses, which include payroll costs, mortgage interest, rent and utilities, and (2) the number of employees and compensation levels are generally maintained. The portion of the loan that is not forgiven bear interest at 1.00% and is due in monthly payments over a period of two years. Principal and interest payments were originally deferred for the first six months of the loan. In October 2020, the SBA extended the deferral period for loan repayments to either (1) the date that the SBA remits the Company's loan forgiveness amount to the lender or (2) if the Company does not apply for loan forgiveness, 10 months after the end of the Company's loan forgiveness covered period.

The Company has elected to record the loan as debt in accordance with ASC 470, Debt and recognize income from loan forgiveness in accordance with ASC 405-20, Extinguishment of Liabilities and ASC 450-30, Gain Contingencies. The portion of the loan that is ultimately forgiven will be recognized as a gain on extinguishment of debt when the loan is, in part or wholly, legally forgiven by the SBA. As of the audit report date, the Corporation received notification from the SBA that \$520,980 of the loan was forgiven. As of December 31, 2020, \$416,207 is recorded as Paycheck Protection Program loan in the accompanying consolidated balance sheets. The loan was set to mature in 2022, however management made the decision to pay the loan in full in October 2021. Therefore, the balance is presented as current in the accompanying statement of financial position.

## 10) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Housing and services support	<u>\$ 612,077</u>	<u>\$ 533,368</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 net assets without donor restrictions; 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 of sale.

*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, 2020 and 2019

---

## 11) Concentration of Funding Risk

During 2020, Housing Up received \$3,398,505, approximately 27 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 \$5,286,051, approximately 41 percent of its revenue, directly from the District of Columbia. During 2019, Housing Up received \$2,810,103, approximately 33 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 \$4,290,780, approximately 50 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.

## 12) 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 expires in 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:

2021	\$	8,400
2022		8,400
2023		8,400
2024		8,400
2025		8,400
Thereafter		<u>226,800</u>
Total	\$	<u>268,800</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 beginning with date of commencement through January 31, 2019 and \$10,239 per month thereafter. The lease ended on October 31, 2019 and is now month to month.

## 13) 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 2020 and 2019, Housing Up incurred expenses of \$16,371 and \$16,544, 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, 2020 and 2019

---

## 14) 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. 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 are \$741,325 and \$19,900 as of December 31, 2020, and \$741,325 and \$17,004 as of December 31, 2019.

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. 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 are \$369,000 and \$12,290 as of December 31, 2020, and \$369,000 and \$9,310 as of December 31, 2019.

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. All unpaid principal and accrued interest are due on September 16, 2049. The outstanding principal balance as of December 31, 2020 and 2019 was \$1,220,000, which are eliminated in the consolidation. Interest of \$342,729 and \$261,908 was accrued for the years ended December 31, 2020 and 2019, respectively, and is eliminated in the consolidation.

On June 15, 2018, THCAH entered into a loan agreement with an affiliate, Abrams Hall Senior LP. The principal amount of the note is \$293,000 and the loan does not bear interest. The outstanding principal balance as of December 31, 2020 and 2019 was \$293,000.

### *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, 2020 and 2019, developer fees receivable totaled \$469,256 for both years. Developer fees of \$40,000 and \$23,370 were earned for the years ended December 31, 2020 and 2019, respectively.

### *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.

*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, 2020 and 2019

---

## 14) Affiliate Transactions (Continued)

### *Guarantees (Continued)*

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 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 guaranty 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 2020 and 2019, no operating deficit loans were required. The guaranty expires in 2021.

### *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, 2020 and 2019, no fee has been accrued or paid.

### *Asset Management Fee*

PA4 is obligated to pay NEF Community Investments, Inc., an affiliate of the Investor Member, an Asset Management Fee under the terms of the Operating Agreement for property management oversight, tax credit compliance monitoring, and related services. The annual fee shall be \$3,600, commencing the month following the month in which Stabilized Occupancy is achieved, but in no event 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, 2020 and 2019, \$19,788 and \$15,736, respectively, has been accrued.

*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, 2020 and 2019

---

## 14) Affiliate Transactions (Continued)

### *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.

## 15) Property Management Fee

PA4 was obligated under the terms of a property management agreement with Eagle Point Management, an unrelated party. The agreement provided for a fee of 5% of gross tenant rent collections. Effective May 28, 2019, PA4 is obligated under the terms of a property management agreement with Charles Tini & Associates, LLC, an unrelated party. The agreement provides for a fee of 6% of rent collections. Management fees of \$25,982 and \$30,382 respectively, were incurred during the years ended December 31, 2020 and 2019. As of December 31, 2020 and 2019, \$1,678 and \$1,926 respectively, remains payable and is included in accounts payable and accrued expenses on the accompanying consolidated statements of financial position.

## 16) Available Cash Flow

Pursuant to the DHCD loan agreement dated March 31, 2015, the Corporation 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, 2020 is as follows:

Cash received	\$	436,287
Cash expenditures		<u>354,546</u>
Available cash flow	\$	<u>81,741</u>

## 17) 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.

*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, 2020 and 2019

---

## 17) Commitments and Contingencies (Continued)

### ***Business Risk Factor***

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a Public Health Emergency of International Concern. In March 2020, COVID-19 began to spread throughout the United States. Efforts to contain COVID-19, including restrictions mandated by U.S. Federal and various state and local governments has caused numerous businesses to close or modify their operations in an effort to prevent COVID-19 from spreading more rapidly. Because of the size and duration of this pandemic, the direct and indirect consequences of COVID-19 are not yet known and may not emerge for some time. The future impact of the pandemic is highly uncertain and cannot be predicted, but it could have a material adverse impact on the future results of operations and financial position of the Corporation.

## 18) Donation of Amazon Stock

On December 2, 2020, the Corporation received a donation from Amazon.com, Inc. of 781 shares of its' stock as part of The Day One Families Fund. The donation is unrestricted and, at the time of contribution, had a fair value of \$2,543,662. The donation is included in corporate/individual contributions on the accompanying consolidated statements of activities.

## 19) 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. Except as noted below, there were no events that required recognition or disclosure in the consolidated financial statements.

The Corporation paid the balance due under the PPP loan in October 2021.

*See independent auditor's report.*

# Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Financial Position  
As of December 31, 2020

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
<b>Current assets</b>							
Cash	\$ 558,337	\$ 195,571	\$ -	\$ 753,908	\$ 2,307,935	\$ -	\$ 3,061,843
Rent receivables, net of allowance for doubtful accounts of \$69,372	-	40,187	-	40,187	9,136	-	49,323
Grants receivable	-	-	-	-	1,293,653	-	1,293,653
Developer fees receivable - current	30,390	-	-	30,390	-	-	30,390
Resident services receivable	-	-	-	-	57,149	-	57,149
Prepaid expenses	-	885	-	885	234,129	-	235,014
Tenants' security deposits	-	19,207	-	19,207	-	-	19,207
Total current assets	588,727	255,850	-	844,577	3,902,002	-	4,746,579
<b>Property and equipment</b>							
Land	-	1,000,000	-	1,000,000	85,000	-	1,085,000
Buildings and improvements	-	8,779,658	(11,827)	8,767,831	3,628,389	(544,116)	11,852,104
Land improvements	-	271,746	-	271,746	-	-	271,746
Leasehold improvements	-	-	-	-	1,960,226	-	1,960,226
Furniture, fixtures and equipment	-	316,282	-	316,282	208,669	-	524,951
	-	10,367,686	(11,827)	10,355,859	5,882,284	(544,116)	15,694,027
Less: accumulated depreciation	-	(1,389,712)	-	(1,389,712)	(1,882,982)	91,255	(3,181,439)
Total property and equipment	-	8,977,974	(11,827)	8,966,147	3,999,302	(452,861)	12,512,588
<b>Other assets</b>							
Security deposit receivable	-	-	-	-	9,074	-	9,074
Sponsor loans receivable, including accrued interest receivable of \$29,655	2,995,709	-	(1,560,194)	1,435,515	-	-	1,435,515
Due from affiliate	30,632	-	(30,632)	-	830,596	(830,596)	-
Developer fees receivable - long-term	450,693	-	(11,827)	438,866	-	-	438,866
Tax credit fees, net of accumulated amortization of \$36,448	-	34,100	-	34,100	-	-	34,100
Reserves	-	268,330	-	268,330	-	-	268,330
Escrows	-	61,845	-	61,845	-	-	61,845
Investments in LLCs	(183)	-	-	(183)	-	-	(183)
Other investments	940,317	-	-	940,317	2,546,082	-	3,486,399
Total other assets	4,417,168	364,275	(1,602,653)	3,178,790	3,385,752	(830,596)	5,733,946
Total assets	\$ 5,005,895	\$ 9,598,099	\$ (1,614,480)	\$ 12,989,514	\$ 11,287,056	\$ (1,283,457)	\$ 22,993,113

See independent auditor's report.

# Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Financial Position (Continued)

As of December 31, 2020

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
<b>Current liabilities</b>							
Accounts payable and accrued expenses	\$ -	\$ 25,613	\$ -	\$ 25,613	\$ 347,151	\$ -	\$ 372,764
Current portion of long-term debt	-	32,006	-	32,006	93,888	-	125,894
Deferred revenue	-	-	-	-	110,340	-	110,340
Asset management fee payable	-	19,788	-	19,788	-	-	19,788
Accrued interest - long-term debt	-	-	-	-	204,347	-	204,347
Prepaid rents	-	882	-	882	19	-	901
Paycheck Protection Program loan	-	-	-	-	416,207	-	416,207
Tenant security deposits held in trust	-	14,587	-	14,587	1,373	-	15,960
Total current liabilities	-	92,876	-	92,876	1,173,325	-	1,266,201
<b>Long-term liabilities</b>							
Due to affiliates	447,470	413,758	(30,632)	830,596	-	(830,596)	-
Developer fee payable	-	11,827	(11,827)	-	-	-	-
Sponsor loan	-	1,220,000	(1,220,000)	-	-	-	-
Accrued interest - sponsor loan	-	340,194	(340,194)	-	-	-	-
Long-term debt - less current portion, net of unamortized financing fees of \$154,892	-	1,808,100	-	1,808,100	2,768,656	-	4,576,756
Total long-term liabilities	447,470	3,793,879	(1,602,653)	2,638,696	2,768,656	(830,596)	4,576,756
Total liabilities	447,470	3,886,755	(1,602,653)	2,731,572	3,941,981	(830,596)	5,842,957
<b>Net assets</b>							
Net assets without donor restrictions							
Controlling	4,258,425	8,246	(11,827)	4,254,844	7,032,998	(452,861)	10,834,981
Non-controlling	-	5,703,098	-	5,703,098	-	-	5,703,098
Total net assets without donor restrictions	4,258,425	5,711,344	(11,827)	9,957,942	7,032,998	(452,861)	16,538,079
Net assets with donor restrictions	300,000	-	-	300,000	312,077	-	612,077
Total net assets	4,558,425	5,711,344	(11,827)	10,257,942	7,345,075	(452,861)	17,150,156
Total liabilities and net assets	\$ 5,005,895	\$ 9,598,099	\$ (1,614,480)	\$ 12,989,514	\$ 11,287,056	\$ (1,283,457)	\$ 22,993,113

See independent auditor's report.



# Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Financial Position (Continued)

As of December 31, 2019

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
<b>Current assets</b>							
Cash	\$ 1,386,229	\$ 112,494	\$ -	\$ 1,498,723	\$ 1,992,379	\$ -	\$ 3,491,102
Rent receivables, net of allowance for doubtful accounts of \$30,891	-	127,508	-	127,508	16,937	-	144,445
Grants receivable	-	-	-	-	796,111	-	796,111
Developer fees receivable - current	-	-	-	-	-	-	-
Resident services receivable	-	-	-	-	72,908	-	72,908
Prepaid expenses	-	5,606	-	5,606	227,144	-	232,750
Tenants' security deposits	-	17,776	-	17,776	-	-	17,776
Total current assets	1,386,229	263,384	-	1,649,613	3,105,479	-	4,755,092
<b>Property and equipment</b>							
Land	-	1,000,000	-	1,000,000	85,255	-	1,085,255
Buildings and improvements	-	8,779,658	(11,827)	8,767,831	3,652,221	(544,119)	11,875,933
Land improvements	-	271,746	-	271,746	-	-	271,746
Leasehold improvements	-	-	-	-	1,970,784	-	1,970,784
Furniture, fixtures and equipment	-	316,282	-	316,282	259,242	-	575,524
Automobile	-	-	-	-	25,119	-	25,119
	-	10,367,686	(11,827)	10,355,859	5,992,621	(544,119)	15,804,361
Less: accumulated depreciation	-	(1,125,006)	-	(1,125,006)	(1,817,673)	67,405	(2,875,274)
Total property and equipment	-	9,242,680	(11,827)	9,230,853	4,174,948	(476,714)	12,929,087
<b>Other assets</b>							
Security deposits receivable	-	-	-	-	61,958	-	61,958
Sponsor loans receivable, including accrued interest receivable of \$25,554	2,910,787	-	(261,148)	2,649,639	-	(1,220,000)	1,429,639
Due from affiliate	30,632	-	(30,632)	-	736,596	(736,596)	-
Developer fees receivable - long-term	481,083	-	(11,827)	469,256	-	-	469,256
Tax credit fees, net of accumulated amortization of \$30,569	-	41,153	-	41,153	-	-	41,153
Reserves	-	255,330	-	255,330	-	-	255,330
Escrows	-	60,645	-	60,645	-	-	60,645
Project development costs	19,618	-	-	19,618	-	-	19,618
Investment in LLCs	(183)	-	-	(183)	-	-	(183)
Total other assets	3,441,937	357,128	(303,607)	3,495,458	798,554	(1,956,596)	2,337,416
Total assets	\$ 4,828,166	\$ 9,863,192	\$ (315,434)	\$ 14,375,924	\$ 8,078,981	\$ (2,433,310)	\$ 20,021,595

See independent auditor's report.

# Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Financial Position (Continued)

As of December 31, 2019

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
<b>Current liabilities</b>							
Accounts payable and accrued expenses	\$ -	\$ 14,426	\$ -	\$ 14,426	\$ 359,934	\$ -	\$ 374,360
Current portion of long-term debt	-	29,739	-	29,739	715,554	-	745,293
Asset management fee payable	-	15,736	-	15,736	-	-	15,736
Accrued interest - long-term debt	-	-	-	-	155,231	-	155,231
Prepaid rents	-	1,135	-	1,135	1,143	-	2,278
Tenant security deposits held in trust (contra)	-	13,183	-	13,183	896	-	14,079
Total current liabilities	-	74,219	-	74,219	1,232,758	-	1,306,977
<b>Long-term liabilities</b>							
Due to affiliates	362,602	404,626	(30,632)	736,596	-	(736,596)	-
Developer fee payable	-	11,827	(11,827)	-	-	-	-
Sponsor loan	-	1,220,000	-	1,220,000	-	(1,220,000)	-
Accrued interest - sponsor loan	-	261,148	(261,148)	-	-	-	-
Long-term debt - less current portion, net of unamortized financing fees of \$164,230	-	1,832,188	-	1,832,188	2,759,917	-	4,592,105
Total long-term liabilities	362,602	3,729,789	(303,607)	3,788,784	2,759,917	(1,956,596)	4,592,105
Total liabilities	362,602	3,804,008	(303,607)	3,863,003	3,992,675	(1,956,596)	5,899,082
<b>Net assets</b>							
Net assets without donor restrictions							
Controlling	4,165,564	8,281	(11,827)	4,162,018	3,852,938	(476,714)	7,538,242
Non-controlling	-	6,050,903	-	6,050,903	-	-	6,050,903
Total net assets without donor restrictions	4,165,564	6,059,184	11,827	10,212,921	3,852,938	(476,714)	13,589,145
Net assets with donor restrictions							
	300,000	-	-	300,000	233,368	-	533,368
Total net assets	4,465,564	6,059,184	11,827	10,512,921	4,086,306	(476,714)	14,122,513
Total liabilities and net assets	\$ 4,828,166	\$ 9,863,192	\$ (315,434)	\$ 14,375,924	\$ 8,078,981	\$ (2,433,310)	\$ 20,021,595

See independent auditor's report.

# Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Activities  
For the Year Ended December 31, 2020

	Without donor restrictions						With donor restrictions			Total consolidated	
	Consolidated										
	THCAH	PA4	Eliminations	THCAH	Housing up	Eliminations	Total	THCAH	Housing up		Total
<b>Revenue</b>											
Government contracts & grants	\$ -	\$ -	\$ -	\$ -	\$ 8,684,556	\$ -	\$ 8,684,556	\$ -	\$ -	\$ -	\$ 8,684,556
Corporate/individual contributions	-	-	-	-	3,121,139	-	3,121,139	-	226,000	226,000	3,347,139
In-kind donations	-	-	-	-	68,946	-	68,946	-	-	-	68,946
Rent revenue - gross potential	-	490,671	-	490,671	476,399	-	967,070	-	-	-	967,070
Investment and other income	245,435	7,794	(79,300)	173,929	47,417	-	221,346	-	-	-	221,346
Debt forgiveness income	-	-	-	-	520,980	-	520,980	-	-	-	520,980
Resident services fees	-	-	-	-	63,015	-	63,015	-	-	-	63,015
Management fees	-	-	-	-	122,732	(122,732)	-	-	-	-	-
Developer fee income	40,000	-	-	40,000	-	-	40,000	-	-	-	40,000
Net assets released from purpose related restrictions	-	-	-	-	147,291	-	147,291	-	(147,291)	(147,291)	-
<b>Total revenue</b>	<b>285,435</b>	<b>498,465</b>	<b>(79,300)</b>	<b>704,600</b>	<b>13,252,475</b>	<b>(122,732)</b>	<b>13,834,343</b>	<b>-</b>	<b>78,709</b>	<b>78,709</b>	<b>13,913,052</b>
<b>Expenses</b>											
Program services:											
Resident services	-	-	-	-	6,939,115	-	6,939,115	-	-	-	6,939,115
Building operations	-	-	-	-	1,193,514	(23,853)	1,169,661	-	-	-	1,169,661
Affordable housing	122,732	846,305	(79,300)	889,737	241,781	(122,732)	1,008,786	-	-	-	1,008,786
<b>Total program services expenses</b>	<b>122,732</b>	<b>846,305</b>	<b>(79,300)</b>	<b>889,737</b>	<b>8,374,410</b>	<b>(146,585)</b>	<b>9,117,562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,117,562</b>
Supporting services:											
Management and general	69,842	-	-	69,842	1,475,089	-	1,544,931	-	-	-	1,544,931
Fundraising	-	-	-	-	222,916	-	222,916	-	-	-	222,916
<b>Total supporting services expenses</b>	<b>69,842</b>	<b>-</b>	<b>-</b>	<b>69,842</b>	<b>1,698,005</b>	<b>-</b>	<b>1,767,847</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,767,847</b>
<b>Total expenses</b>	<b>192,574</b>	<b>846,305</b>	<b>(79,300)</b>	<b>959,579</b>	<b>10,072,415</b>	<b>(146,585)</b>	<b>10,885,409</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,885,409</b>
<b>Change in net assets</b>	<b>\$ 92,861</b>	<b>\$ (347,840)</b>	<b>\$ -</b>	<b>\$ (254,979)</b>	<b>\$ 3,180,060</b>	<b>\$ 23,853</b>	<b>\$ 2,948,934</b>	<b>\$ -</b>	<b>\$ 78,709</b>	<b>\$ 78,709</b>	<b>\$ 3,027,643</b>

See independent auditor's report.

# Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Activities (Continued)  
For the Year Ended December 31, 2019

	Without donor restrictions						With donor restrictions			Total consolidated	
	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total	THCAH	Housing up		Total
<b>Revenue</b>											
Government contracts & grants	\$ -	\$ -	\$ -	\$ -	\$ 7,125,884	\$ -	\$ 7,125,884	\$ -	\$ -	\$ -	\$ 7,125,884
Corporate/individual contributions	358	-	-	358	586,435	-	586,793	-	120,291	120,291	707,084
In-kind donations	-	-	-	-	24,830	-	24,830	-	-	-	24,830
Rent revenue - gross potential	-	482,662	-	482,662	430,126	-	912,788	-	-	-	912,788
Investment and other income	80,403	8,191	(79,300)	9,294	6,540	-	15,834	-	-	-	15,834
Resident services fees	-	-	-	-	70,332	-	70,332	-	-	-	70,332
Management fees	-	-	-	-	184,846	(184,846)	-	-	-	-	-
Developer fee income	137,632	-	-	137,632	-	(114,262)	23,370	-	-	-	23,370
Net assets released from purpose related restrictions	-	-	-	-	37,565	-	37,565	-	(37,565)	(37,565)	-
<b>Total revenue</b>	<b>218,393</b>	<b>490,853</b>	<b>(79,300)</b>	<b>629,946</b>	<b>8,466,558</b>	<b>(299,108)</b>	<b>8,797,396</b>	<b>-</b>	<b>82,726</b>	<b>82,726</b>	<b>8,880,122</b>
<b>Expenses</b>											
Program services:											
Resident services	-	-	-	-	5,931,176	-	5,931,176	-	-	-	5,931,176
Building operations	-	-	-	-	899,748	(23,148)	876,600	-	-	-	876,600
Affordable housing	184,846	773,370	(79,300)	878,916	225,249	(184,846)	919,319	-	-	-	919,319
<b>Total program services expenses</b>	<b>184,846</b>	<b>773,370</b>	<b>(79,300)</b>	<b>878,916</b>	<b>7,056,173</b>	<b>(207,994)</b>	<b>7,727,095</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,727,095</b>
Supporting services:											
Management and general	66,634	-	-	66,634	934,532	-	1,001,166	-	-	-	1,001,166
Fundraising	-	-	-	-	203,008	-	203,008	-	-	-	203,008
<b>Total supporting services expenses</b>	<b>66,634</b>	<b>-</b>	<b>-</b>	<b>66,634</b>	<b>1,137,540</b>	<b>-</b>	<b>1,204,174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,204,174</b>
<b>Total expenses</b>	<b>251,480</b>	<b>773,370</b>	<b>(79,300)</b>	<b>945,550</b>	<b>8,193,713</b>	<b>(207,994)</b>	<b>8,931,269</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,931,269</b>
<b>Change in net assets</b>	<b>\$ (33,087)</b>	<b>\$ (282,517)</b>	<b>\$ -</b>	<b>\$ (315,604)</b>	<b>\$ 272,845</b>	<b>\$ (91,114)</b>	<b>\$ (133,873)</b>	<b>\$ -</b>	<b>\$ 82,726</b>	<b>\$ 82,726</b>	<b>\$ (51,147)</b>

See independent auditor's report.

# Transitional Housing Corporation DBA Housing Up And Affiliate

Consolidating Statement of Changes in Net Assets  
For the Years Ended December 31, 2020 and 2019

	Without donor restrictions								With donor restrictions			Total consolidated
	PA4				Consolidated				THCAH	Housing up	Total	
	THCAH	Non-controlling	Controlling	Eliminations	THCAH	Housing up	Eliminations	Total				
<b>Net assets, January 1, 2019</b>	\$ 4,198,651	\$ 6,333,392	\$ 8,309	\$ (11,827)	\$ 10,528,525	\$ 3,580,093	\$ (385,600)	\$ 13,723,018	\$ 300,000	\$ 150,642	\$ 450,642	\$ 14,173,660
<b>Change in net assets</b>	<u>(33,087)</u>	<u>(282,489)</u>	<u>(28)</u>	<u>-</u>	<u>(315,604)</u>	<u>272,845</u>	<u>(91,114)</u>	<u>(133,873)</u>	<u>-</u>	<u>82,726</u>	<u>82,726</u>	<u>(51,147)</u>
<b>Net assets, December 31, 2019</b>	4,165,564	6,050,903	8,281	(11,827)	10,212,921	3,852,938	(476,714)	13,589,145	300,000	233,368	533,368	14,122,513
<b>Change in net assets</b>	<u>92,861</u>	<u>(347,805)</u>	<u>(35)</u>	<u>-</u>	<u>(254,979)</u>	<u>3,180,060</u>	<u>23,853</u>	<u>2,948,934</u>	<u>-</u>	<u>78,709</u>	<u>78,709</u>	<u>3,027,643</u>
<b>Net assets, December 31, 2020</b>	<u>\$ 4,258,425</u>	<u>\$ 5,703,098</u>	<u>\$ 8,246</u>	<u>\$ (11,827)</u>	<u>\$ 9,957,942</u>	<u>\$ 7,032,998</u>	<u>\$ (452,861)</u>	<u>\$ 16,538,079</u>	<u>\$ 300,000</u>	<u>\$ 312,077</u>	<u>\$ 612,077</u>	<u>\$ 17,150,156</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, 2020

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
<b>Consolidating cash flows from operating activities</b>							
Change in net assets	\$ 92,861	\$ (347,840)	\$ -	\$ (254,979)	\$ 3,258,769	\$ 23,853	\$ 3,027,643
Adjustments to reconcile change in net assets to net cash and restricted cash provided by (used in) operating activities							
Depreciation and amortization	-	279,834	-	279,834	270,920	(23,853)	526,901
Contribution of stock	-	-	-	-	(2,504,347)	-	(2,504,347)
Unrealized gain on investments	(128,086)	-	-	(128,086)	(41,735)	-	(169,821)
Realized gain on investments	(8,572)	-	-	(8,572)	-	-	(8,572)
Dividends on investments	(23,849)	-	-	(23,849)	-	-	(23,849)
Forgiveness of debt	-	-	-	-	(520,980)	-	(520,980)
(Increase) decrease in operating assets:							
Rents receivable	-	87,321	-	87,321	7,801	-	95,122
Security deposit receivable	-	-	-	-	52,884	-	52,884
Grants receivable	-	-	-	-	(497,542)	-	(497,542)
Developer fees receivable	-	-	-	-	-	-	-
Prepaid expenses	-	4,721	-	4,721	(6,985)	-	(2,264)
Resident services receivable	-	-	-	-	15,759	-	15,759
Increase (decrease) in operating liabilities:							
Accounts payable and accrued expenses	-	94,285	(79,046)	15,239	36,333	-	51,572
Deferred revenue	-	-	-	-	110,340	-	110,340
Prepaid rents	-	(253)	-	(253)	(1,124)	-	(1,377)
Deposits	-	1,404	-	1,404	477	-	1,881
Net cash and restricted cash provided by (used in) operating activities	(67,646)	119,472	(79,046)	(27,220)	180,570	-	153,350

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, 2020

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
<b>Consolidating cash flows from investing activities</b>							
Purchase of fixed assets	-	-	-	-	(94,011)	-	(94,011)
Purchase of investments	(779,810)	-	-	(779,810)	-	-	(779,810)
Increase in sponsor loans receivable	(84,922)	-	79,046	(5,876)	-	-	(5,876)
Decrease in project development costs	19,618	-	-	19,618	-	-	19,618
(Increase) decrease in due from affiliates	-	-	-	-	(94,000)	94,000	-
Net cash and restricted cash provided by (used in) investing activities	(845,114)	-	79,046	(766,068)	(188,011)	94,000	(860,079)
<b>Consolidating cash flows from financing activities</b>							
Proceeds on long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principal payments on long-term debt	-	(29,896)	-	(29,896)	(614,190)	-	(644,086)
Paycheck protection program loan proceeds	-	-	-	-	937,187	-	937,187
Increase in due to affiliates	84,868	9,132	-	94,000	-	(94,000)	-
Net cash and restricted cash provided by (used in) financing activities	84,868	(20,764)	-	64,104	322,997	(94,000)	293,101
<b>Net increase (decrease) in cash and restricted cash</b>	(827,892)	98,708	-	(729,184)	315,556	-	(413,628)
Cash and restricted cash, beginning of year	1,386,229	446,245	-	1,832,474	1,992,379	-	3,824,853
Cash and restricted cash, end of year	\$ 558,337	\$ 544,953	\$ -	\$ 1,103,290	\$ 2,307,935	\$ -	\$ 3,411,225
<b>Supplemental disclosure of cash flow information</b>							
Cash paid during the year for:							
Interest	\$ -	\$ 123,036	\$ -	\$ 123,036	\$ 85,887	\$ -	\$ 208,923

The following table provides a reconciliation of cash and restricted cash reported within the consolidated and combined statements of financial position that sum to the total of the same such amounts presented in cash and restricted cash, end of year, above:

Cash	\$ 558,337	\$ 195,571	\$ -	\$ 753,908	\$ 2,307,935	\$ -	\$ 3,061,843
Tenants' security deposits	-	19,207	-	19,207	-	-	19,207
Reserves	-	268,330	-	268,330	-	-	268,330
Escrows	-	61,845	-	61,845	-	-	61,845
Total cash and restricted cash, end of year	\$ 558,337	\$ 544,953	\$ -	\$ 1,103,290	\$ 2,307,935	\$ -	\$ 3,411,225

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, 2019

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
<b>Consolidating cash flows from operating activities</b>							
Change in net assets	\$ (33,087)	\$ (282,517)	\$ -	\$ (315,604)	\$ 355,571	\$ (91,114)	\$ (51,147)
Adjustments to reconcile change in net assets to net cash and restricted cash provided by (used in) operating activities							
Depreciation and amortization	-	271,763	-	271,763	265,603	(23,896)	513,470
(Increase) decrease in operating assets:							
Rents receivable	-	(106,260)	-	(106,260)	2,458	-	(103,802)
Grants receivable	-	-	-	-	188,078	-	188,078
Developer fees receivable	86,600	-	-	86,600	-	-	86,600
Prepaid expenses	-	(1,160)	-	(1,160)	(174,436)	-	(175,596)
Resident services receivable	-	-	-	-	(27,569)	-	(27,569)
Increase (decrease) in operating liabilities:							
Accounts payable and accrued expenses	-	82,764	(79,554)	3,210	203,143	-	206,353
Prepaid rents	-	(5,100)	-	(5,100)	(6,102)	-	(11,202)
Deposits	-	(660)	-	(660)	(16,570)	-	(17,230)
Deferred developer fee income	(23,370)	-	-	(23,370)	-	-	(23,370)
Net cash and restricted cash provided by (used in) operating activities	30,143	(41,170)	(79,554)	(90,581)	790,176	(115,010)	584,585
<b>Consolidating cash flows from investing activities</b>							
Purchase of fixed assets	-	-	-	-	(526,357)	115,010	(411,347)
Increase in sponsor loans receivable	(80,314)	-	79,554	(760)	-	-	(760)
(Increase) decrease in due from affiliates	-	35,964	-	35,964	(106,460)	70,496	-
Net cash and restricted cash provided by (used in) investing activities	(80,314)	35,964	79,554	35,204	(632,817)	185,506	(412,107)

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, 2019

	THCAH	PA4	Eliminations	Consolidated THCAH	Housing up	Eliminations	Total
<b>Consolidating cash flows from financing activities</b>							
Proceeds on long-term debt	\$ -	\$ -	\$ -	\$ -	\$ 1,117,504	\$ -	\$ 1,117,504
Principal payments on long-term debt	-	(20,336)	-	(20,336)	(582,546)	-	(602,882)
Increase in due to affiliates	70,496	-	-	70,496	-	(70,496)	-
Net cash and restricted cash provided by (used in) financing activities	70,496	(20,336)	-	50,160	534,958	(70,496)	514,622
<b>Net increase (decrease) in cash and restricted cash</b>	20,325	(25,542)	-	(5,217)	692,317	-	687,100
Cash and restricted cash, beginning of year	1,365,904	471,787	-	1,837,691	1,300,062	-	3,137,753
Cash and restricted cash, end of year	<u>\$ 1,386,229</u>	<u>\$ 446,245</u>	<u>\$ -</u>	<u>\$ 1,832,474</u>	<u>\$ 1,992,379</u>	<u>\$ -</u>	<u>\$ 3,824,853</u>
<b>Supplemental disclosure of cash flow information</b>							
Cash paid during the year for:							
Interest	\$ -	\$ 124,616	\$ -	\$ 124,616	\$ 117,151	\$ -	\$ 241,767

The following table provides a reconciliation of cash and restricted cash reported within the consolidated and combined statements of financial position that sum to the total of the same such amounts presented in cash and restricted cash, end of year, above:

Cash	\$ 1,386,229	\$ 112,494	\$ -	\$ 1,498,723	\$ 1,992,379	\$ -	\$ 3,491,102
Tenants' security deposits	-	17,776	-	17,776	-	-	17,776
Reserves	-	255,330	-	255,330	-	-	255,330
Escrows	-	60,645	-	60,645	-	-	60,645
Total cash and restricted cash, end of year	<u>\$ 1,386,229</u>	<u>\$ 446,245</u>	<u>\$ -</u>	<u>\$ 1,832,474</u>	<u>\$ 1,992,379</u>	<u>\$ -</u>	<u>\$ 3,824,853</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, 2020

---

<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	
	Total Expenditures	<u>2,796,233</u>
Pass Through Awards from the District of Columbia, via HUD:		
U.S. Department of Health and Human Services Temporary Assistance for Needy Families <sup>2</sup>	93.558	
	Total Expenditures	<u>602,272</u>
Pass Through Awards from the District of Columbia:		
U.S. Department of Health and Human Services Temporary Assistance for Needy Families <sup>2</sup>	93.558	
	Total Expenditures	<u>3,753,902</u>
Total		<u>\$ 7,152,407</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, 2020. 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, 2020

---

1	Continuum of care homeless assistance program – PA I contract	\$ 164,721
	Community partnership for the prevention of homelessness – PA II contract	145,266
	Community partnership for the prevention of homelessness – Housing with care	510,851
	Community partnership for the prevention of homelessness – Veterans connection	895,133
	Community partnership for the prevention of homelessness – Youth families	652,101
	Community partnership for the prevention of homelessness – Family connections	<u>428,161</u>
		\$ 2,796,233
2	Community partnership for the prevention of homelessness – DHS PA III contract	\$ 602,272
	Community partnership for the prevention of homelessness – DHS FRSP	3,386,594
	Homeless youth transitional housing beds - DHS-YTH	<u>367,308</u>
		\$ 4,356,174

*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  
1322 Main Drive NW Abrams Hall  
Washington, DC 20012

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, 2020, 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 October 28, 2021.

**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 Two

**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.

SC+H attest services, P.C.

Sparks, Maryland  
October 28, 2021



**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  
1322 Main Drive NW Abrams Hall  
Washington, DC 20012

**Report on Compliance for Each Major Federal 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, 2020. 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, 2020.

### **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.

*SC+H attest services, P.C.*

Sparks, Maryland  
October 28, 2021

# Transitional Housing Corporation DBA Housing Up And Affiliate

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2020

---

## 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 identified 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: Supporting 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

## Prior Year Findings – Consolidated Financial Statement Audit

None

## Findings and Questioned Costs – Major Federal Awards Program

None

## Prior Year Findings and Questioned Costs – Major Federal Awards Program

None