THE HOUSING FUND, INC. AND SUBSIDIARY

NASHVILLE, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

SEPTEMBER 30, 2017 AND 2016

THE HOUSING FUND, INC. AND SUBSIDIARY

NASHVILLE, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITOR'S REPORTS

SEPTEMBER 30, 2017 AND 2016

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Housing Fund, Inc.
Nashville, Tennessee

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of The Housing Fund, Inc., a Tennessee not-for-profit corporation, and subsidiary (collectively, the "Agency") which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 entity'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 entity'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.

KraftCPAs PLLC • Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • phone: 615-242-7351 • fax: 615-782-4271 • kraftcpas.com

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* and the consolidating statements of financial position and activities are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2018 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the Agency's internal control over financial reporting and compliance.

KraftCPAs PLLC

Nashville, Tennessee
January 19, 2018

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents, undesignated	$ 6,513,873	$ 2,069,770
Cash and cash equivalents, designated for federal programs	1,378,438	1,364,435
Accounts receivable	9,432	36,790
Government grants receivable	250,825	-
Accrued interest on loans receivable	140,500	161,064
Loans receivable:		
Down payment assistance loans, net	5,792,689	6,297,874
Flood assistance loans, net	1,352,633	1,426,168
Development loans, net	7,616,046	10,402,428
Shared equity loans, net	1,438,942	1,378,236
Real estate owned	100,700	202,244
Prepaid expenses	41,758	46,308
Property, furniture and equipment, net	153,274	159,093
Investment in limited partnership	200,000	200,000
TOTAL ASSETS	$ 24,989,110	$ 23,744,410
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 80,728	$ 96,978
Accrued expenses	74,097	74,780
Deferred revenue	1,836	725
Flood contract payable	270,173	292,828
Notes payable	13,392,533	12,432,831
TOTAL LIABILITIES	13,819,367	12,898,142
NET ASSETS		
Unrestricted	11,169,743	10,846,268
TOTAL NET ASSETS	11,169,743	10,846,268
TOTAL LIABILITIES AND NET ASSETS	$ 24,989,110	$ 23,744,410

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016		
	UNRESTRICTED	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUES				
Public support:				
Federal, state and local government grants	$ 586,856	$ 1,323,135	$ -	$ 1,323,135
Grants from private institutions	53,853	113,430	-	113,430
Revenues:				
Service and administrative fees	141,474	142,846	-	142,846
Interest income:				
Loans	620,338	605,040	-	605,040
Other	1,404	3,764	-	3,764
Recovery of provision for uncollectible loans	875,915	252,613	-	252,613
Other	52,273	98,413	-	98,413
Net assets released from restrictions	-	182,913	(182,913)	-
TOTAL SUPPORT AND REVENUES	2,332,113	2,722,154	(182,913)	2,539,241
EXPENSES				
Program services:				
Low-income housing assistance programs	1,286,164	1,465,199	-	1,465,199
Flood assistance programs	550,891	657,445	-	657,445
Supporting services:				
Management and general	171,583	107,266	-	107,266
TOTAL EXPENSES	2,008,638	2,229,910	-	2,229,910
CHANGE IN NET ASSETS	323,475	492,244	(182,913)	309,331
NET ASSETS - BEGINNING OF YEAR	10,846,268	10,354,024	182,913	10,536,937
NET ASSETS - END OF YEAR	$ 11,169,743	$ 10,846,268	$ -	$ 10,846,268

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017				2016			
	Program Services		Supporting Services		Program Services		Supporting Services	
	Low-Income Housing Assistance	Flood Assistance	Management and General	Totals	Low-Income Housing Assistance	Flood Assistance	Management and General	Totals
Payroll and related costs	$ 723,135	$ 156,573	$ 92,063	$ 971,771	$ 861,085	$ 148,244	$ 27,286	$ 1,036,615
Flood assistance grants	-	369,132	-	369,132	-	478,515	-	478,515
Provision for uncollectible loans	23,283	-	-	23,283	126,907	-	-	126,907
Advertising	-	-	2,322	2,322	4,726	-	22,657	27,383
Depreciation	16,854	2,906	2,180	21,940	16,504	3,338	1,428	21,270
Interest	320,222	-	-	320,222	269,975	-	-	269,975
Occupancy	72,687	11,610	8,707	93,004	67,988	12,662	5,481	86,131
Printing	-	-	-	-	-	-	833	833
Professional fees	37,972	899	31,048	69,919	20,430	4,003	33,349	57,782
Servicing fees	23,840	84	17	23,941	16,213	252	-	16,465
Office expense and miscellaneous	68,171	9,687	35,246	113,104	81,371	10,431	16,232	108,034
	$ 1,286,164	$ 550,891	$ 171,583	$ 2,008,638	$ 1,465,199	$ 657,445	$ 107,266	$ 2,229,910

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
OPERATING ACTIVITIES		
Change in net assets	$ 323,475	$ 309,331
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	21,940	21,270
Accrued interest added to notes payable	52,702	54,368
Loss on sale of fixed assets	-	128
Change in provision for uncollectible loans	(852,632)	(125,706)
(Increase) decrease in:		
Accounts receivable	27,358	(10,843)
Government grants receivable	(250,825)	171,612
Accrued interest receivable	20,564	(13,187)
Prepaid expenses	4,550	1,574
(Decrease) increase in:		
Accounts payable	(16,250)	(30,359)
Accrued expenses	(683)	(59,092)
Deferred revenue	1,111	(490,503)
Flood contract payable	-	(57,168)
Net adjustments	(992,165)	(537,906)
NET CASH USED IN OPERATING ACTIVITIES	(668,690)	(228,575)
INVESTING ACTIVITIES		
Acquisition of property, furniture and equipment	(16,121)	(2,330)
Proceeds from sale of real estate owned	101,544	-
Housing down payment assistance loans made	(462,809)	(637,662)
Principal repayments on down payment assistance loans	1,012,994	864,093
Principal repayments on flood assistance loans	82,396	173,390
Development loans made	(2,966,440)	(7,042,924)
Principal repayments on development loans	6,530,938	2,743,079
Shared equity loans made	(156,416)	-
Principal repayments on shared equity loans	93,710	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	4,219,796	(3,902,354)
FINANCING ACTIVITIES		
Borrowings on notes payable	2,410,000	1,400,000
Principal payments on notes payable	(1,503,000)	(500,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	907,000	900,000
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	4,458,106	(3,230,929)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,434,205	6,665,134
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,892,311	$ 3,434,205
NONCASH OPERATING AND INVESTING ACTIVITIES:		
Flood assistance loans transferred to grantor	$ 22,655	$ 477,368
ADDITIONAL CASH FLOW INFORMATION:		
Interest expense paid	$ 270,821	$ 212,618

See accompanying notes to consolidated financial statements.

NOTE 1 - GENERAL

The Housing Fund, Inc. ("THF") was organized in 1996 as a Tennessee not-for-profit corporation. Its stated mission is to "provide resources and creative leadership to help individuals and communities create and maintain affordable and healthy places in which low to moderate income people live". THF is designated as a Community Development Financial Institution ("CDFI") by the U.S. Department of Treasury. In addition, THF is one of the nonprofit agencies involved in a joint effort of private and public sectors established to provide the "We Are Home" program, which is designed to fill gaps that exist for homeowners by providing financing for the repairs of homes damaged by the May 2010 flood in Nashville and surrounding counties.

During 2002, Laurel House Apartments GP, Inc. ("Laurel House") was organized as a for-profit corporation and is a wholly-owned subsidiary of THF. Laurel House owns 1/10 of 1% as general partner of Laurel House 2001, L.P., a limited partnership that was also organized in 2002. Laurel House 2001, L.P. acquired certain real estate for the construction and operation of Laurel House Apartments (the "Laurel House project"), a 48-apartment unit development, with parking availability, 10,000 square feet of retail space, and offices for THF (see Note 9). The Laurel House project was funded in part through a Tax Increment Financing loan ("TIF"), provided by THF, in the amount of $700,000. Additional funding for the Laurel House project came from proceeds of the sale of federal low-income housing tax credits. The general partnership interest of Laurel House in the limited partnership is reported at its $200,000 historical cost. In accordance with the Amended and Restated Limited Partnership Agreement of Laurel House 2001, L.P., the general partner has the right of first refusal to acquire the property at the end of the statutory compliance period pursuant to applicable provisions of Internal Revenue Code §42(i)(7).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of THF and its subsidiary, Laurel House, (collectively the "Agency"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of presentation

The accompanying consolidated financial statements present the financial position and change in net assets of the Agency on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

Resources are classified as unrestricted, temporarily restricted and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.

- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose. The Agency had no temporarily restricted net assets as of September 30, 2017 and 2016.

- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Agency had no permanently restricted net assets as of September 30, 2017 and 2016.

Contributions and support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the consolidated statement of activities as net assets released from restrictions.

The Agency also receives grant revenue from federal, state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

The Agency reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred revenue

Grant funds received prior to expenditure are recorded initially as deferred revenue and recognized in the period a liability is incurred for eligible expenditures under the term of the grant.

Federal loan awards

Federal awards received by the Agency that include an obligation to repay loaned amounts back to the awarding agency are included in notes payable until such amounts are repaid by the Agency. Federal loan awards are considered expended when the loan disbursements are made to eligible recipients.

Cash and cash equivalents and designated cash

Cash and cash equivalents include demand deposits and money market funds with banks. Cash equivalents also include bank certificates of deposit that can be liquidated without significant penalty or restriction (including accrued interest).

Cash and cash equivalents, designated for federal programs consists of discretely managed accounts maintained to comply with contractual requirements imposed by grantors, and may be used only for the purpose of funding loans.

Accounts receivable

Accounts receivable are deemed to be fully collectible by management. No allowance for bad debts is considered necessary.

Allowance for uncollectible loans

The allowance for uncollectible loans is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using historical loan loss experience, the nature and volume of the portfolio, information about specific borrower situations, estimated collateral values, and current economic conditions. The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component is based on historical loss experience adjusted for current factors. The entire allowance is available for any loan that, in management’s judgment, should be charged off.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for uncollectible loans (continued)

A loan receivable is considered impaired when, based on current information, it is probable that all amounts of principal and interest due will not be collected according to the terms of the loan agreement. The allowance for uncollectible loans is established by charges to program services expense and is maintained at an amount which management believes adequate to absorb losses on existing loans. Uncollectible loans are charged to the allowance account in the period such determination is made. Recoveries of the allowance for uncollectible loans due to repayment of loans is recorded as income in the period of recovery.

Real estate owned

Foreclosed development and down payment assistance loans are transferred to real estate owned at the carrying value of the foreclosed loan. All additional development costs related to the development of such projects are capitalized. Carrying values of development projects are reviewed annually for impairment. A project is considered impaired when the estimated present value of the expected future cash flows relating to the project is less than the carrying value. Any impairment loss is recognized in the period such determination is made.

Property, furniture and equipment

Property, furniture and equipment are reported at cost at the date of purchase, or at estimated fair value at the date of gift to the Agency. The Agency's policy is to capitalize purchases with a cost of $200 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows: twenty years or the life of the lease, if shorter, for leasehold improvements, three years for computer equipment, and seven years for furniture and fixtures.

In-kind contributions

Donated facilities and materials are recorded as gifts in the period received at estimated fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would have been otherwise purchased by the Agency. Such services are recognized at estimated fair value as support and expense in the period the services are performed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

THF qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided. THF files a U.S. Federal Form 990 for organizations exempt from income tax. Laurel House is a for-profit corporation and files a Federal Form 1120 and a Tennessee Franchise and Excise tax return.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing THF's and Laurel House's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying consolidated financial statements.

Program and supporting services

The following programs and supporting services are included in the accompanying consolidated financial statements:

Low-income housing assistance - includes a down payment assistance-lending program, a community development loan program and a shared equity homeownership program designed to assist low to moderate income individual in acquiring or maintaining their primary residence and to assist not-for-profit and for-profit developers in increasing the supply of decent and affordable housing for low and moderate income individuals throughout Tennessee.

Flood assistance - includes a flood assistance-lending program designed to assist homeowners in the repair of homes damaged by the May 2010 flood, and to finance the acquisition, repair, and sale of flood-impacted properties by Habitat for Humanity. Nashville's "We Are Home" program is a joint effort of Nashville's private and public sectors, including the Community Foundation of Middle Tennessee, local financial institutions, nonprofit organizations, and the Metropolitan Government of Nashville and Davidson County. The "We Are Home" program is designed to fill gaps that exist for homeowners after taking into account individual assistance provided by the Federal Emergency Management Agency ("FEMA") and the Small Business Administration ("SBA") by providing financial assistance in the form of low-interest loans, grants and due-on-sale loans.

Management and general - includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or fund-raising activity, including costs associated with providing coordination and articulation of the Agency's program strategy, business management, general recordkeeping, budgeting and related purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of functional expenses

Costs of providing the Agency's programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited. Costs that are not allocated to program services are classified as management and general.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent authoritative accounting guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Agency is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Agency is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent authoritative accounting guidance (continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Agency is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for annual periods, and interim periods within those years, beginning after December 15, 2017. ASU 2016-15 will be effective for annual periods beginning after December 15, 2018. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Agency is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for annual periods beginning after December 15, 2018. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The Agency is currently evaluating the impact of the adoption of this guidance on its financial statements.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year’s presentation. The effects of such reclassifications have no effect on the change in net assets previously reported.

Events occurring after reporting date

The Agency has evaluated events and transactions that occurred between September 30, 2017 and January 19, 2018, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS

Down payment assistance loans

Down payment assistance loans, secured by a second deed of trust on the applicable properties, are made to homebuyers from unrestricted funds. These loans range from $1,000 to $35,000 and consist of the following as of September 30:

	2017	2016
Interest-bearing loans with interest at rates from 2% to 8%, for terms of 5 to 30 years	$ 2,537,759	$2,897,642
Non-interest bearing loans that are payable upon the sale of the property	3,563,043	3,733,274
	6,100,802	6,630,916
Less: allowance for uncollectible loans	(308,113)	(333,042)
Total	$ 5,792,689	$ 6,297,874

Annual principal maturities of down payment assistance loans (excluding the loans that are due upon the sale of the property) are as follows:

Year ending September 30:

2018	$ 228,701
2019	230,649
2020	228,963
2021	227,728
2022	224,748
Thereafter	1,396,970
	$ 2,537,759

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Flood assistance loans

Flood assistance loans, secured by the repaired property through a second or third deed of trust are made to homeowners through federal grants or temporarily restricted funds. These loans range from approximately $1,000 to $55,000 and consist of the following as of September 30:

	2017	2016
Interest-bearing loans with interest rate at 4%, requiring monthly payments for terms of 5 to 25 years	$ 134,562	$ 159,100
Non-interest bearing loans that are payable upon the sale of the property	1,797,771	1,878,283
	1,932,333	2,037,383
Less: allowance for uncollectible loans	(579,700)	(611,215)
Total	$ 1,352,633	$ 1,426,168

Annual principal maturities of flood assistance loans (excluding the loans that are due upon the sale of the property) are as follows:

Year ending September 30:	
2018	$ 10,586
2019	11,042
2020	11,492
2021	11,960
2022	10,849
Thereafter	78,633
	$ 134,562

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Development loans

Development loans consist of the following as of September 30:

		2017	2016
Loans to not-for-profit, government and for-profit developers for the development of affordable housing, ranging from approximately $11,000 to $1,050,000, for terms of 0 to 153 months, with interest at rates from 0% to 7%; used to finance construction of single-family homes for sale and rental units in low to moderate income neighborhoods and other community development projects. Principal and interest are payable at the earlier of maturity or the date the project is sold.		$ 7,816,567	$11,214,772
Development loan to Conexion Americas, a not-for-profit agency, to fund *Puertas Abiertas* , a down payment assistance program for Hispanic families, with interest at 5%; repayment term corresponds with Conexion Americas collection of principal payments from down payment assistance loans of the program, which have terms up to 10 years from the date of the loan.		-	100,583
Related party loans:			
Loan agreement with MDHA for Laurel House project	(1)	71,900	137,611
		7,888,467	11,452,966
Less: allowance for uncollectible loans		(272,421)	(1,050,538)
Total		$ 7,616,046	$ 10,402,428

(1) On December 19, 2001 and October 20, 2004, THF loaned MDHA $500,000 and $200,000, respectively, for Tax Increment Financing ("TIF") for the Laurel House project that was developed by Laurel House 2001, L.P. (See Note 1.) Annual payments in an amount equal to the amount of Tax Increment Proceeds are due and payable on May 1 each year through 2028. All payments are applied first to interest at the rate of 6% per annum, with any remaining balance applied to principal. Accrued interest on these loans was $1,798 as of September 30, 2017 ($3,440 as of September 30, 2016).

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Development loans (continued)

During the year ended September 30, 2017, development loan repayments totaled $6,530,938. Approximately 70% of the repayments were received in the period from April to September 2017.

Annual principal maturities of development loans receivable that contain set repayment terms are as follows:

Year ending September 30:	
2018	$ 4,677,690
2019	277,992
2020	359,453
2021	833,133
2022	999,824
Thereafter	740,375
	$ 7,888,467

Shared equity loans

Shared equity loans are offered through a homeownership program, “Our House”, to provide qualified homebuyers with funds up to 25% of the home’s purchase price. Shared equity loan principal plus a portion of the home’s appreciation are repayable upon the sale of home by borrower; however, these loans are assumable by future buyers eligible under the shared equity program. Funds disbursed to borrowers are recorded at cost. Borrowers agree to certain restrictions on their use and resale of the property. Shared equity loans consist of the following as of September 30:

	2017	2016
Non-interest bearing loans that are payable upon the sale of the property	$ 1,513,522	$ 1,450,816
Less: allowance for uncollectible loans	(74,580)	(72,580)
Total	$ 1,438,942	$ 1,378,236

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans

Activity in the allowance for uncollectible loans was as follows as of and for the year ended September 30, 2017:

	Down payment assistance	Flood	Development	Shared equity
Allowance for uncollectible loans:				
Beginning balance	$ 333,042	$ 611,215	$ 1,050,538	$ 72,580
Charge-offs	(37,650)	-	-	-
Recoveries	57,721	-	-	-
Provisions for uncollectible loans	-	-	21,283	2,000
Recovery of provision for uncollectible loans	(45,000)	(31,515)	(799,400)	-
Ending balance	$ 308,113	$ 579,700	$ 272,421	$ 74,580
Ending balance: individually evaluated for impairment	$ -	$ -	$ 272,421	$ -
Ending balance: collectively evaluated for impairment	$ 308,113	$ 579,700	$ -	$ 74,580
Loans:				
Ending balance	$ 6,100,802	$ 1,932,333	$ 7,888,467	$ 1,513,522
Ending balance: individually evaluated for impairment	$ -	$ -	$ 7,888,467	$ -
Ending balance: collectively evaluated for impairment	$ 6,100,802	$ 1,932,333	$ -	$ 1,513,522

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans (continued)

Activity in the allowance for uncollectible loans was as follows as of and for the year ended September 30, 2016:

	Down payment assistance	Flood	Development	Shared equity
Allowance for uncollectible loans:				
Beginning balance	$346,270	$1,216,208	$965,077	$72,580
Charge-offs	(99,985)	(34,134)	-	-
Transfers out (1)	-	(318,246)		
Recoveries	45,311	-	-	-
Provisions for uncollectible loans	41,446	-	85,461	-
Recovery of provision for uncollectible loans	-	(252,613)	-	-
Ending balance	$ 333,042	$ 611,215	$ 1,050,538	$ 72,580
Ending balance: individually evaluated for impairment	$ -	$ -	$ 1,050,538	$ -
Ending balance: collectively evaluated for impairment	$ 333,042	$ 611,215	$ -	$ 72,580
Loans:				
Ending balance	$ 6,630,916	$ 2,037,383	$ 11,452,966	$ 1,450,816
Ending balance: individually evaluated for impairment	$ -	$ -	$ 11,452,966	$ -
Ending balance: collectively evaluated for impairment	$ 6,630,916	$ 2,037,383	$ -	$ 1,450,816

(1) Transfers out represents the corresponding allowance on flood loans transferred to MDHA based on the flood contract termination. See Note 11 for additional information regarding the flood contract termination.

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans (continued)

The Agency's policies relevant to each loan portfolio's allowance for uncollectible loans are as follows:

Down payment assistance loans - The Agency reserves approximately 5% of the total loan portfolio. The allowance for uncollectible loans is calculated at the end of each month based on outstanding loan balances.

Flood loans - For loans to owner occupied single family homes originated prior to September 30, 2011, reserve amounts were calculated based on 70% of the face amount for loans due on sale of the underlying property. For loans where principal and interest are amortized, the reserve amounts were calculated based on 50% of the face amount for the loans. For all loans originated during the year ending September 30, 2014 and 2013, the reserve was based on 40% of the face amount for the new loans. Collection experience on outstanding flood loans was better than first anticipated. The Agency has conducted studies and has re-evaluated the loan loss provision. Based on the 2015 study, it was determined that a reserve of 40% on the entire portfolio of loans is the appropriate provision for loan loss. As a result, the Agency recorded a negative provision on flood loans of $849,000. For the year ended September 30, 2016, THF conducted another study to evaluate the provision for loan losses on flood loans. Based on the study, it was determined that a reserve of 30% on the entire portfolio of loans is the appropriate provision for loan loss. As a result, the Agency recorded an additional negative provision on flood loans of $252,613.

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans (continued)

Development loans - The Agency utilizes a risk rating system to monitor the credit quality of the Agency's development loan portfolio. Loans are assigned level 1, 3, or 5 based on the following risk rating descriptions:

Rating	**Percent Reserved**	**Description**
1	1%	Experienced Developer with strong financials, successful prior business with THF and loans was made with no exception to policy
3	3%	All loans except as noted above
5	As needed	THF concerned about status of project, set reserve based on anticipated loss

Shared equity loans - The Agency reserves approximately 5% of the total loan portfolio. The allowance for uncollectible loans is calculated at the end of each month based on outstanding loan balances.

NOTE 4 - PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consist of the following as of September 30:

	2017	2016
Leasehold improvements	$ 366,146	$ 354,276
Computer equipment	68,101	70,169
Furniture and fixtures	40,842	40,547
	475,089	464,992
Less: accumulated depreciation	(321,815)	(305,899)
Total	$ 153,274	$ 159,093

NOTE 5 - NOTES PAYABLE

A summary of notes payable to financial institutions and other lenders as of September 30, 2017 and 2016 follows:

Institutional Lenders		Original Issues	2017 Principal Balance Drawn	2017 Accrued Interest	2017 Total Balance	Amount Available To Be Drawn	2016 Principal Balance Drawn	2016 Accrued Interest	2016 Total Balance
U. S. Bank	2	$2,000,000	$ 2,000,000	$ -	$ 2,000,000	$ -	$ 2,000,000	$ -	$2,000,000
Regions Bank of Tennessee		3,700,000	3,700,000	-	3,700,000	-	3,700,000	-	3,700,000
SunTrust Bank		2,000,000	1,500,000	129,171	1,629,171	500,000	2,000,000	97,228	2,097,228
Pinnacle National Bank		600,000	600,000	-	600,000	-	600,000	-	600,000
Community Development Financial Institutions Fund (CDFI)		572,044	572,044	-	572,044	-	572,044	-	572,044
Synovus		350,000	350,000	-	350,000	-	350,000	-	350,000
Fifth Third Bank		650,000	650,000	-	650,000	-	300,000	-	300,000
GMAC Mortgage Company		300,000	100,000	43,947	143,947	200,000	100,000	40,436	140,436
F & M Bank	1	300,000	300,000	59,451	359,451	-	300,000	52,403	352,403
CapStar		1,250,000	1,250,000	-	1,250,000	-	250,000	-	250,000
First Tennessee Bank		250,000	250,000	-	250,000	-	250,000	-	250,000
InsBank of Tennessee		150,000	150,000	40,842	190,842	-	150,000	36,187	186,187
Truxton Trust		400,000	400,000	12,846	412,846	-	400,000	12,846	412,846
Capital Bank Corporation		750,000	750,000	-	750,000	-	750,000	-	750,000
Renasant Bank		100,000	100,000	27,046	127,046	-	100,000	24,555	124,555
Cumberland Bank and Trust	1	100,000	100,000	-	100,000	-	100,000	-	100,000
Legends Bank	1	100,000	100,000	-	100,000	-	100,000	-	100,000
Heritage Bank	1	100,000	100,000	25,186	125,186	-	100,000	22,132	122,132
FORTERA	1	25,000	25,000	-	25,000	-	25,000	-	25,000
Self Directed IRA Services		60,000	57,000	-	57,000	3,000	-	-	-
Total Notes Payable			$ 13,054,044	$ 338,489	$ 13,392,533	$ 703,000	$ 12,147,044	$ 285,787	$ 12,432,831

1 - Funding available for Clarksville/Montgomery County, Tennessee operations.
2 - Includes $250,000 funding available for Clarksville/Montgomery County, Tennessee operations.

NOTE 5 - NOTES PAYABLE (CONTINUED)

Loans from various financial institutions generally mature in one to ten years (maturities range from December 2017 - December 2026 as of September 30, 2017), accrue interest at rates from 0% to 4% annually, and are unsecured and subordinated. Certain loans contain automatic extension provisions that can renew indefinitely. Some loans permit the accrued interest to be added to the principal balance quarterly; the other loans require the interest to be paid quarterly. Accrued interest added to principal balances amounted to $52,702 in 2017, and $54,368 in 2016.

Annual principal maturities of notes payable are as follows:

Year ending September 30:	
2018	$ 4,515,991
2019	300,000
2020	500,000
2021	2,301,446
2022	1,100,000
Thereafter	4,675,096
	$13,392,533

NOTE 6 - CONTRACT AGREEMENT

During the year ended September 30, 2014, the Agency entered into a contract with the Metropolitan Government of Nashville and Davidson County to provide technical and management assistance services to the Metro Housing Trust Fund Commission. The contract term extends for 60 months and may be extended by contract amendment. The total amount of the contract had an estimated value of $618,000 and was paid monthly as work is completed and approved by the Metro Housing Trust Fund Commission. Revenue pertaining to the contact amounted to $123,000 in 2016. The contract was canceled in December 2016 at the Agency's election.

NOTE 7 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to concentrations of credit risk consist of cash and cash equivalents and loans receivable. Loans receivable are widely dispersed throughout Middle Tennessee to mitigate credit risk.

The Agency maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Agency's cash balance, from time to time, may exceed statutory limits. The Agency has not experienced any losses in such accounts and considers this to be a normal business risk.

NOTE 7 - CONCENTRATION OF CREDIT RISK (CONTINUED)

The Agency also maintains cash and cash equivalents in an investment account at a brokerage company. This investment consists of a money market fund. Generally, the balance is not insured by the FDIC or any other governmental agency and is subject to investment risk, including the risk of loss of principal. Investors are provided limited protection by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to $500,000. The SIPC does not insure against market risk.

Outstanding development loans to four developers comprised 57% of the total of such loans at September 30, 2017 (three developers comprised 44% in 2016).

NOTE 8 - CONTRACTED SERVICES AND EMPLOYEE BENEFIT PLANS

Contracted services

The Agency's staff is employed under a Professional Employer Organization ("PEO") agreement with LBMC Employment Partners and reports solely to the Agency's Board of Directors. The Agency reimburses LBMC Employment Partners for the salaries and related fringe benefits, which include Social Security and Medicare taxes, insurance and employee benefit plan costs.

Employee benefit plans

Through March 31, 2017, all Agency staff members participated in The Housing Fund 401(k) Retirement Plan administered by The Retirement Plan Company, LLC. Under this plan, all employees were eligible to make deferrals starting the first day of the month following the date of hire and the Agency contributed 13% of employees' base compensation. Effective April 1, 2017, all Agency staff members are eligible to participate in the LBMC Employment Partners, LLC 401(k) Profit Sharing Plan with a match of 100% of the first 3% of contributions and 50% of the next 2% of contributions. Total contributions amounted to $48,466 and $83,644 for the years ended September 30, 2017 and 2016, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Agency has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to the grantor.

In February 2004, the Agency relocated to new offices leased under a twenty-year operating lease with Laurel House 2001, L.P. (See Note 1). The lease provides for scheduled rent increases every five years and includes two 5-year renewal options. Rent expense on this lease is recognized on the straight-line basis and also includes the Agency's pro-rata share of property taxes and insurance. The excess of the rent expense recognized over the amount paid is included in accrued expenses. The Agency leases space for one satellite office under a non-cancellable lease through June 2018. Total rent expense amounted to $72,418 in 2017 and $61,491 in 2016.

Future minimum rent payments required under the long-term lease agreement is as follows:

Year ending September 30:

2018	$ 46,202
2019	46,093
2020	47,614
2021	47,614
2022	47,614
Thereafter	63,476
Total	$ 298,613

NOTE 10 - RELATED PARTY TRANSACTIONS

Four of the Agency's board members are senior officers with financial institutions or other lenders with which the Agency has outstanding loans totaling $6,550,000 at September 30, 2017 (three board members totaling $4,550,500 at September 30, 2016).

NOTE 11 - FLOOD CONTRACT TERMINATION

On May 20, 2010 THF entered into an agreement with MDHA to administer the "We Are Home" program. Under the agreement, THF was allowed up to $2,300,000 in grant funds from MDHA to provide flood repair assistances to homeowners impacted by the May 2010 floods in Nashville. Termination provisions under the agreement allow for MDHA to terminate the agreement any time, at the convenience of MDHA, by a notice in writing from MDHA to THF specifying the effective day thereof, at least thirty days before the effective date of such termination. Program income provisions under the agreement allowed for THF to use loan proceeds and repayments for future eligible activities. Therefore, a liability was not recorded at the time of the original agreement. On January 13, 2015, MDHA notified THF that they elected to terminate the contract without cause effective April 30, 2015. At the time of contract termination, there was $1,048,716 in flood assistance loans held by THF that would be returned to MDHA. As a result of the contract termination, THF experienced a loss of $1,048,716. During the year ended September 30, 2016, THF transferred loans with a net book value of $477,368 and cash proceeds collected on other loans of $57,168 to the MDHA. During the year ended September 30, 2017, THF transferred cash proceeds collected on loans of $22,655 to MDHA. Payable to MDHA was $270,173 ($292,828 at September 30, 2016).

ADDITIONAL INFORMATION

THE HOUSING FUND, INC. AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Grant Description	Notes	Federal CFDA#	Grant Number	(Accrued) Deferred 10/1/2016	10/1/16 - 9/30/17 Receipts	Expenditures	Program Income Utilization	(Accrued) Deferred 9/30/2017
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
HOME Investment Partnerships Program - We Are Home Program								
We Are Home Flood		14.239	M-10-MC-47-0203	$ (34,586)	$ -	$ -	$ -	$ (34,586)
Total CFDA 14.239				(34,586)	-	-	-	(34,586)
PASSED THROUGH METROPOLITAN DEVELOPMENT & HOUSING AGENCY:								
Community Development Block Grant - We Are Home Program								
We Are Home CDBG	*	14.218	B-10-MC-47-0007	9,805	-	-	-	9,805
Community Development Block Grant - Disaster Services								
Community Development Block Grant - Disaster Services - program delivery	*	14.218	B-10-MF-47-0002	47,153	230,183	729,258	(244,182)	(207,740)
Total CFDA 14.218				56,958	230,183	729,258	(244,182)	(197,935)
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
Neighborhood Stabilization Program - 2 - program income utilization		14.256	B-09-CN-TN-0024	-	51,974	101,304	(31,024)	(18,306)
Total CFDA 14.256				-	51,974	101,304	(31,024)	(18,306)
PASSED THROUGH TENNESSEE HOUSING DEVELOPMENT AGENCY								
National Foreclosure Mitigation Counseling		21.000	N/A	-	250	250	-	-
Total CFDA 21.000				-	250	250	-	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 22,372	$ 282,407	$ 830,812	$ (275,206)	$ (250,827)

*Denotes a major program under Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Prinicples, Audit Requirements for Federal Awards (Uniform Guidance).

See Notes to Schedule of Federal Awards on page 29.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of The Housing Fund, Inc. under programs of the federal government for the year ended September 30, 2017. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of The Housing Fund, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the The Housing Fund, Inc.

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 organization has elected not to use the 10-percent de minims indirect cost rate as allowed under the Uniform Guidance.

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2017

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Consolidating Entries	Consolidated
ASSETS				
Cash and cash equivalents, undesignated	$ 6,513,873	$ -	$ -	$ 6,513,873
Cash and cash equivalents, designated for federal programs	1,378,438	-	-	1,378,438
Accounts receivable	9,432	-	-	9,432
Government grants receivable	250,825	-	-	250,825
Accrued interest on loans receivable	140,500	-	-	140,500
Down payment assistance loans receivable, net	5,792,689	-	-	5,792,689
Flood assistance loans receivable, net	1,352,633	-	-	1,352,633
Development loans receivable, net	7,616,046	-	-	7,616,046
Shared equity loans receivable, net	1,438,942	-	-	1,438,942
Real estate owned	100,700	-	-	100,700
Prepaid expenses	41,758	-	-	41,758
Property, furniture and equipment, net	153,274	-	-	153,274
Investment in subsidiary	200,000	-	(200,000)	-
Investment in limited partnership	-	200,000	-	200,000
TOTAL ASSETS	$ 24,989,110	$ 200,000	$ (200,000)	$ 24,989,110
LIABILITIES				
Accounts payable	$ 80,728	$ -	$ -	$ 80,728
Accrued expenses	74,097	-	-	74,097
Deferred revenue	1,836	-	-	1,836
Flood contract payable	270,173	-	-	270,173
Notes payable	13,392,533	-	-	13,392,533
TOTAL LIABILITIES	13,819,367	-	-	13,819,367
NET ASSETS				
Unrestricted	11,169,743	200,000	(200,000)	11,169,743
TOTAL NET ASSETS	11,169,743	200,000	(200,000)	11,169,743
TOTAL LIABILITIES AND NET ASSETS	$ 24,989,110	$ 200,000	$ (200,000)	$ 24,989,110

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2016

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Consolidating Entries	Consolidated
ASSETS				
Cash and cash equivalents, undesignated	$ 2,069,770	$ -	$ -	$ 2,069,770
Cash and cash equivalents, designated for federal programs	1,364,435	-	-	1,364,435
Accounts receivable	36,790	-	-	36,790
Accrued interest on loans receivable	161,064	-	-	161,064
Down payment assistance loans receivable, net	6,297,874	-	-	6,297,874
Flood assistance loans receivable, net	1,426,168	-	-	1,426,168
Development loans receivable, net	10,402,428	-	-	10,402,428
Shared equity loans receivable, net	1,378,236	-	-	1,378,236
Real estate owned	202,244	-	-	202,244
Prepaid expenses	46,308	-	-	46,308
Property, furniture and equipment, net	159,093	-	-	159,093
Investment in subsidiary	200,000	-	(200,000)	-
Investment in limited partnership	-	200,000	-	200,000
TOTAL ASSETS	$ 23,744,410	$ 200,000	$ (200,000)	$ 23,744,410
LIABILITIES				
Accounts payable	$ 96,978	$ -	$ -	$ 96,978
Accrued expenses	74,780	-	-	74,780
Deferred revenue	725	-	-	725
Flood contract payable	292,828	-	-	292,828
Notes payable	12,432,831	-	-	12,432,831
TOTAL LIABILITIES	12,898,142	-	-	12,898,142
NET ASSETS				
Unrestricted	10,846,268	200,000	(200,000)	10,846,268
TOTAL NET ASSETS	10,846,268	200,000	(200,000)	10,846,268
TOTAL LIABILITIES AND NET ASSETS	$ 23,744,410	$ 200,000	$ (200,000)	$ 23,744,410

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Consolidating Entries	Consolidated
SUPPORT AND REVENUES				
Public support:				
Federal, state and local government grants	$ 586,856	$ -	$ -	$ 586,856
Grants from private institutions	53,853	-	-	53,853
Revenues:				
Service and administrative fees	141,474	-	-	141,474
Interest income:				
Loans	620,338	-	-	620,338
Other	1,404	-	-	1,404
Recovery of provision for uncollectible loans	875,915	-	-	875,915
Other	52,273	-	-	52,273
TOTAL SUPPORT AND REVENUES	2,332,113	-	-	2,332,113
EXPENSES				
Program services:				
Low-income housing assistance programs	1,286,164	-	-	1,286,164
Flood assistance programs	550,891	-	-	550,891
Supporting services:				
Management and general	171,583	-	-	171,583
TOTAL EXPENSES	2,008,638	-	-	2,008,638
CHANGE IN NET ASSETS	323,475	-	-	323,475
NET ASSETS - BEGINNING OF YEAR	10,846,268	200,000	(200,000)	10,846,268
NET ASSETS - END OF YEAR	$ 11,169,743	$ 200,000	$ (200,000)	$ 11,169,743

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Consolidating Entries	Consolidated
SUPPORT AND REVENUES				
Public support:				
Federal, state and local government grants	$ 1,323,135	$ -	$ -	$ 1,323,135
Grants from private institutions	113,430	-	-	113,430
Revenues:				
Service and administrative fees	142,846	-	-	142,846
Interest income:				
Loans	605,040	-	-	605,040
Other	3,764	-	-	3,764
Recovery of provision for uncollectible loans	252,613	-	-	252,613
Other	98,413	-	-	98,413
TOTAL SUPPORT AND REVENUES	2,539,241	-	-	2,539,241
EXPENSES				
Program services:				
Low-income housing assistance programs	1,465,199	-	-	1,465,199
Flood assistance programs	657,445	-	-	657,445
Supporting services:				
Management and general	107,266	-	-	107,266
TOTAL EXPENSES	2,229,910	-	-	2,229,910
CHANGE IN NET ASSETS	309,331	-	-	309,331
NET ASSETS - BEGINNING OF YEAR	10,536,937	200,000	(200,000)	10,536,937
NET ASSETS - END OF YEAR	$ 10,846,268	$ 200,000	$ (200,000)	$ 10,846,268

<u>OTHER REPORTS</u>

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*

Board of Directors
The Housing Fund, Inc.
Nashville, Tennessee

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 The Housing Fund, Inc., a Tennessee not-for-profit corporation and subsidiary (collectively, the "Agency"), which comprise the consolidated statement of financial position as of September 30, 2017, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 19, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the consolidated financial statements, we considered the Agency'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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.

KraftCPAs PLLC • Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • phone: 615-242-7351 • fax: 615-782-4271 • kraftcpas.com

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Agency'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 direct and 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 the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kraft CPAs PLLC

Nashville, Tennessee
January 19, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
The Housing Fund, Inc.
Nashville, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited The Housing Fund, Inc. and subsidiaries (collectively, the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended September 30, 2017. The Agency'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 requirements of federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* 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 the Agency'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 for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

KraftCPAs PLLC • Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • phone: 615-242-7351 • fax: 615-782-4271 • kraftcpas.com

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Agency 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 the Agency'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 the Agency's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 requirement 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a 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 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. 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.

KraftCPAs PLLC

Nashville, Tennessee
January 19, 2018

THE HOUSING FUND, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified?	____ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	____ Yes	X No

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

Section II - Financial Statement Findings

There were no audit findings in the prior or current year.

Section III - Federal Award Findings

There were no federal award findings in the prior or current year.