THE HOUSING FUND, INC. AND SUBSIDIARY

NASHVILLE, TENNESSEE

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

SEPTEMBER 30, 2018 AND 2017

THE HOUSING FUND, INC. AND SUBSIDIARY

NASHVILLE, TENNESSEE

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AND
INDEPENDENT AUDITOR'S REPORTS

SEPTEMBER 30, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 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 24, 2019 on our consideration of the Agency's internal control over financial reporting. The purpose of that report is solely 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 effectiveness of internal control over financial reporting. 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 24, 2019

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents, undesignated	$ 4,081,106	$ 6,513,873
Cash and cash equivalents, designated for federal programs	1,474,196	1,378,438
Accounts receivable	70,989	9,432
Government grants receivable	22,158	250,825
Accrued interest on loans receivable	134,456	140,500
Loans receivable:		
Down payment assistance loans, net	5,718,489	5,792,689
Flood assistance loans, net	1,277,609	1,352,633
Development loans, net	7,123,498	7,616,046
Shared equity loans, net	1,481,217	1,438,942
Prepaid expenses and other assets	154,916	142,458
Property, furniture and equipment, net	132,727	153,274
Investment in limited partnership	200,000	200,000
TOTAL ASSETS	$ 21,871,361	$ 24,989,110
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 99,755	$ 80,728
Accrued expenses	77,352	74,097
Deferred revenue	-	1,836
Flood contract payable	242,861	270,173
Notes payable	10,871,302	13,392,533
TOTAL LIABILITIES	11,291,270	13,819,367
NET ASSETS		
Unrestricted	10,509,035	11,169,743
Temporarily restricted	71,056	-
TOTAL NET ASSETS	10,580,091	11,169,743
TOTAL LIABILITIES AND NET ASSETS	$ 21,871,361	$ 24,989,110

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018			2017
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
SUPPORT AND REVENUES				
Public support:				
Federal, state and local government grants	$ 116,306	$ 125,000	$ 241,306	$ 586,856
Grants from private institutions	11,330	45,000	56,330	53,853
Revenues:				
Service and administrative fees	167,297	-	167,297	141,474
Interest income:				
Loans	463,144	-	463,144	620,338
Other	1,319	-	1,319	1,404
Recovery of provision for uncollectible loans	-	-	-	875,915
Other	37,080	-	37,080	52,273
Net assets released from restriction	98,944	(98,944)	-	-
TOTAL SUPPORT AND REVENUES	895,420	71,056	966,476	2,332,113
EXPENSES				
Program services:				
Low-income housing assistance programs	1,292,661	-	1,292,661	1,286,164
Flood assistance programs	73,276	-	73,276	550,891
Supporting services:				
Management and general	190,191	-	190,191	171,583
TOTAL EXPENSES	1,556,128	-	1,556,128	2,008,638
CHANGE IN NET ASSETS	(660,708)	71,056	(589,652)	323,475
NET ASSETS - BEGINNING OF YEAR	11,169,743	-	11,169,743	10,846,268
NET ASSETS - END OF YEAR	$ 10,509,035	$ 71,056	$ 10,580,091	$ 11,169,743

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018				2017			
	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	$ 752,830	$ 83,631	$ 110,350	$ 946,811	$ 723,135	$ 156,573	$ 92,063	$ 971,771
Flood assistance grants	-	-	-	-	-	369,132	-	369,132
Provision for uncollectible loans	(7,215)	(24,800)	-	(32,015)	23,283	-	-	23,283
Advertising	21	-	8,782	8,803	-	-	2,322	2,322
Bad debt	5,250	-	-	5,250	-	-	-	-
Depreciation	16,846	2,449	2,081	21,376	16,854	2,906	2,180	21,940
Interest	358,903	-	-	358,903	320,222	-	-	320,222
Occupancy	65,398	8,702	7,397	81,497	72,687	11,610	8,707	93,004
Professional fees	15,083	-	27,575	42,658	37,972	899	31,048	69,919
Servicing fees	17,343	29	-	17,372	23,840	84	17	23,941
Office expense and miscellaneous	68,202	3,265	34,006	105,473	68,171	9,687	35,246	113,104
	$ 1,292,661	$ 73,276	$ 190,191	$ 1,556,128	$ 1,286,164	$ 550,891	$ 171,583	$ 2,008,638

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ (589,652)	$ 323,475
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	21,376	21,940
Accrued interest added to notes payable	53,813	52,702
Change in provision for uncollectible loans	(32,015)	(852,632)
Bad debt expense	5,250	-
(Increase) decrease in:		
Accounts receivable	(66,807)	27,358
Government grants receivable	228,667	(250,825)
Accrued interest receivable	6,044	20,564
Prepaid expenses	(12,458)	4,550
(Decrease) increase in:		
Accounts payable	19,027	(16,250)
Accrued expenses	3,255	(683)
Deferred revenue	(1,836)	1,111
Net adjustments	224,316	(992,165)
NET CASH USED IN OPERATING ACTIVITIES	(365,336)	(668,690)
INVESTING ACTIVITIES		
Acquisition of property, furniture and equipment	(829)	(16,121)
Proceeds from sale of real estate owned	-	101,544
Housing down payment assistance loans made	(864,634)	(462,809)
Principal repayments on down payment assistance loans	944,949	1,012,994
Principal repayments on flood assistance loans	72,512	82,396
Development loans made	(2,147,314)	(2,966,440)
Principal repayments on development loans	2,642,862	6,530,938
Shared equity loans made	(122,328)	(156,416)
Principal repayments on shared equity loans	78,153	93,710
NET CASH PROVIDED BY INVESTING ACTIVITIES	603,371	4,219,796
FINANCING ACTIVITIES		
Borrowings on notes payable	-	2,410,000
Principal payments on notes payable	(2,575,044)	(1,503,000)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(2,575,044)	907,000
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,337,009)	4,458,106
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	7,892,311	3,434,205
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,555,302	$ 7,892,311
NONCASH OPERATING AND INVESTING ACTIVITIES:		
Flood assistance loans transferred to grantor	$ 27,312	$ 22,655
ADDITIONAL CASH FLOW INFORMATION:		
Interest expense paid	$ 364,947	$ 270,821

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's temporarily restricted net assets as of September 30, 2018 relate to funds for the Community Land Trust program and financial empowerment and emergency loans.

- *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, 2018 and 2017.

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.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated 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 consolidated financial statements.

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 consolidated 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 consolidated statement of cash flows.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent authoritative accounting guidance (continued)

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 consolidated financial statements.

Events occurring after reporting date

The Agency has evaluated events and transactions that occurred between September 30, 2018 and January 24, 2019, 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:

	2018	2017
Interest-bearing loans with interest at rates from 2% to 8%, for terms of 5 to 30 years	$ 2,452,281	$2,537,759
Non-interest bearing loans that are payable upon the sale of the property	3,572,918	3,563,043
	6,025,199	6,100,802
Less: allowance for uncollectible loans	(306,710)	(308,113)
Total	$ 5,718,489	$ 5,792,689

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:

2019	$ 197,214
2020	214,838
2021	219,831
2022	219,169
2023	218,813
Thereafter	1,382,416
	$ 2,452,281

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. These loans range from approximately $1,000 to $55,000 and consist of the following as of September 30:

	2018	2017
Interest-bearing loans with interest rate at 4%, requiring monthly payments for terms of 5 to 25 years	$ 123,496	$ 134,562
Non-interest bearing loans that are payable upon the sale of the property	1,701,739	1,797,771
	1,825,235	1,932,333
Less: allowance for uncollectible loans	(547,626)	(579,700)
Total	$ 1,277,609	$ 1,352,633

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:	
2019	$ 8,319
2020	9,390
2021	9,772
2022	8,529
2023	7,330
Thereafter	80,156
	$ 123,496

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

Development loans

Development loans consist of the following as of September 30:

		2018	2017
Loans to not-for-profit, government and for-profit developers for the development of affordable housing, ranging from approximately $13,000 to $1,070,000, for terms of 0 to 180 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.		$ 7,392,919	$ 7,816,567
Related party loans:			
Loan agreement with MDHA for Laurel House project	(1)	-	71,900
		7,392,919	7,888,467
Less: allowance for uncollectible loans		(269,421)	(272,421)
Total		$ 7,123,498	$ 7,616,046

(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. The loans were repaid, along with accrued interest, in 2018. Accrued interest on these loans was $1,798 as of September 30, 2017.

During the year ended September 30, 2018, development loan repayments totaled $2,642,862 ($6,530,938 during the year ended September 30, 2017).

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

Development loans (continued)

Annual principal maturities of development loans receivable are as follows:

Year ending September 30:	
2019	$ 2,674,384
2020	2,026,447
2021	895,018
2022	1,014,519
2023	166,402
Thereafter	616,149
	$ 7,392,919

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:

	2018	2017
Non-interest bearing loans that are payable upon the sale of the property	$ 1,557,697	$ 1,513,522
Less: allowance for uncollectible loans	(76,480)	(74,580)
Total	$ 1,481,217	$ 1,438,942

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, 2018:

	Down payment assistance	Flood	Development	Shared equity
Allowance for uncollectible loans:				
Beginning balance	$ 308,113	$ 579,700	$ 272,421	$ 74,580
Charge-offs	(63,529)	(13,727)	-	-
Recoveries	68,241	6,453	-	-
Provisions for uncollectible loans	-	-	-	1,900
Recovery of provision for uncollectible loans	(6,115)	(24,800)	(3,000)	-
Ending balance	$ 306,710	$ 547,626	$ 269,421	$ 76,480
Ending balance: collectively evaluated for impairment	$ 306,710	$ 547,626	$ 140,208	$ 76,480
Ending balance: individually evaluated for impairment	$ -	$ -	$ 129,213	$ -
Loans:				
Ending balance	$ 6,025,199	$ 1,825,235	$ 7,392,919	$ 1,557,697
Ending balance: collectively evaluated for impairment	$ 6,025,199	$ 1,825,235	$ 6,032,781	$ 1,557,697
Ending balance: individually evaluated for impairment	$ -	$ -	$ 1,360,138	$ -

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, 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: collectively evaluated for impairment	$ 308,113	$ 579,700	$ 164,324	$ 74,580
Ending balance: individually evaluated for impairment	$ -	$ -	$ 108,097	$ -
Loans:				
Ending balance	$ 6,100,802	$ 1,932,333	$ 7,888,467	$ 1,513,522
Ending balance: collectively evaluated for impairment	$ 6,100,802	$ 1,932,333	$ 6,905,769	$ 1,513,522
Ending balance: individually evaluated for impairment	$ -	$ -	$ 982,698	$ -

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 quarter based on outstanding loan balances.

Flood loans - For loans to owner occupied single family homes a reserve of 30% is used for the entire portfolio of loans for the provision for loan losses.

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 1-5 or X based on the following risk rating descriptions:

Rating	Percent Reserved	Description
1	1%	At least 4 of the following: • Experienced developer, proven track record in property type • Strong financial sponsorship given risks • Successful prior business with THF • Collateral is a THF first mortgage and located in middle TN • Loan made with no exceptions to policy
2	2%	All of the following: • Experienced developer, proven track record in property type • Adequate financial sponsorship given risk • Collateral may be something other than THF first mortgage • Loan made with no more than one exception to policy
3	3%	• Developer has limited experience in property type, and/or little experience with THF • Experienced developer with property type, THF loan in subordinate position • Adequate financial strength given level of experience • Collateral real estate, but may be outside Middle TN • Loan may have an exception to policy with compensating factors
4	4%	• New developer • Developer with limited experience with THF having a subordinate lien position
5	5%	Watchlist: Existing loan relationships that have a level of heightened risk to THF, Borrower is responsive and proactive in addressing risk(s)
X	Individually determined	Borrower is either not responsive to THF concern or ineffective in managing heightened risk. THF sets 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 quarter based on outstanding loan balances.

NOTE 4 - FAIR VALUE MEASUREMENTS

The Agency classifies its assets based on a hierarchy consisting of: Level 1 (assets valued using quoted prices from active markets for identical assets), Level 2 (assets not traded on an active market but for which observable market inputs are readily available), and Level 3 (assets valued based on significant unobservable inputs). The asset's or liability's fair value measurement level with 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.

Following is a description of the valuation methodologies used for assets measured at fair value on a non-recurring basis:

Impaired Loans - A loan is considered impaired when collection of all principal and interest payments in accordance with the contractual terms of the loan agreement is not probable. Individually identified impaired loans are measured based on the present value of expected payments using the loan's original effective rate as the discount rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. If the recorded investment in the impaired loan exceed the measure of fair value, a valuation allowance may be established as a component of the allowance for loan losses. Impaired loans are recorded as nonrecurring Level 3 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at September 30, 2018 and 2017.

The following table sets forth the Agency's assets measured at fair value on a nonrecurring basis at September 30, 2018 and 2017:

	Total reported value in the Statement of Financial Position	Level 1	Level 2	Level 3
2018				
Impaired Loans (included in loans receivable)	$ 1,230,925	$ -	$ -	$1,230,925
Total assets at fair value	$ 1,230,925	$ -	$ -	$1,230,925
2017				
Impaired Loans (included in loans receivable)	$ 874,601	$ -	$ -	$ 874,601
Total assets at fair value	$ 874,601	$ -	$ -	$ 874,601

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents additional quantitative information about assets measured at fair value on a non-recurring basis and for which we have utilized Level 3 inputs to determine fair value at September 30, 2018:

	Fair Value	Valuation Techniques	Significant Unobservable Inputs
Impaired Loans	$ 1,230,925	Appraisal	Discounts for Costs to Sell and Marketability of Collateral
		Present Value of Expected Future Cash Flows	Payment Streams and Discount rates

The following table presents additional quantitative information about assets measured at fair value on a non-recurring basis and for which we have utilized Level 3 inputs to determine fair value at September 30, 2017:

	Fair Value	Valuation Techniques	Significant Unobservable Inputs
Impaired Loans	$ 874,601	Appraisal	Discounts for Costs to Sell and Marketability of Collateral
		Present Value of Expected Future Cash Flows	Payment Streams and Discount rates

Subsequent to year end, the Agency collected $1,088,888 of the outstanding impaired loans at September 30, 2018.

NOTE 5 - PROPERTY, FURNITURE AND EQUIPMENT

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

	2018	2017
Leasehold improvements	$ 366,146	$ 366,146
Computer equipment	68,101	68,101
Furniture and fixtures	41,671	40,842
	475,918	475,089
Less: accumulated depreciation	(343,191)	(321,815)
Total	$ 132,727	$ 153,274

NOTE 6 - NOTES PAYABLE

A summary of notes payable to financial institutions and other lenders as of September 30, 2018 and 2017 follows:

			2018				2017		
Institutional Lenders		Original Issues	Principal Balance Drawn	Accrued Interest	Total Balance	Amount Available To Be Drawn	Principal Balance Drawn	Accrued Interest	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		1,700,000	1,700,000	-	1,700,000	-	3,700,000	-	3,700,000
SunTrust Bank		2,000,000	1,500,000	161,756	1,661,756	1,500,000	1,500,000	129,171	1,629,171
Pinnacle Bank		600,000	600,000	-	600,000	-	600,000	-	600,000
Community Development Financial Institutions Fund (CDFI)		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	-	650,000	-	650,000
GMAC Mortgage Company		300,000	100,000	47,545	147,545	-	100,000	43,947	143,947
F & M Bank	1	300,000	300,000	66,640	366,640	-	300,000	59,451	359,451
CapStar		1,250,000	1,250,000	-	1,250,000	-	1,250,000	-	1,250,000
First Tennessee Bank		1,000,000	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000
InsBank of Tennessee		150,000	150,000	45,613	195,613	-	150,000	40,842	190,842
Truxton Trust		400,000	400,000	12,846	412,846	-	400,000	12,846	412,846
Renasant Bank		100,000	100,000	29,587	129,587	-	100,000	27,046	127,046
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	28,315	128,315	-	100,000	25,186	125,186
FORTERA	1	25,000	25,000	-	25,000	-	25,000	-	25,000
Self Directed IRA Services		60,000	54,000	-	54,000	-	57,000	-	57,000
Total Notes Payable			$ 10,479,000	$ 392,302	$ 10,871,302	$ 1,500,000	$ 13,054,044	$ 338,489	$ 13,392,533

1 - Funding available for Clarksville/Montgomery County, Tennessee operations.

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

NOTE 6 - NOTES PAYABLE (CONTINUED)

Loans from various financial institutions generally mature in one to ten years (maturities range from December 2018 - December 2026 as of September 30, 2018), accrue interest at rates from 0% to 4.75% 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 annually; the other loans require the interest to be paid monthly, quarterly or annually. Accrued interest added to principal balances amounted to $53,813 in 2018, and $52,703 in 2017.

Annual principal maturities of notes payable are as follows:

Year ending September 30:

2019	$ 2,247,545
2020	500,000
2021	-
2022	3,437,401
2023	600,000
Thereafter	4,086,356
	$10,871,302

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.

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 five developers comprised 62% of the total of such loans at September 30, 2018 (four developers comprised 57% in 2017).

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 $16,212 and $48,466 for the years ended September 30, 2018 and 2017, 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.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 leased space for one satellite office under a non-cancellable lease through September 2019. Total rent expense amounted to $58,982 in 2018 and $72,418 in 2017.

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

Year ending September 30:	
2019	$ 49,243
2020	47,614
2021	47,614
2022	47,614
2023	47,605
Thereafter	15,871
Total	$ 255,561

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 $5,300,000 at September 30, 2018 (four board members totaling $6,550,000 at September 30, 2017).

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. A flood contract payable was recorded on the Consolidated Statement of Financial Position for the amount to be returned to MDHA. During the year ended September 30, 2018, THF transferred cash proceeds collected on loans of $27,312 to the MDHA ($22,655 during the year ended September 30, 2017). Payable to MDHA at September 30, 2018, was $242,861 ($270,173 at September 30, 2017).

NOTE 12 - LAUREL HOUSE SUBSEQUENT EVENT

On December 31, 2018, in connection with a refinancing arrangement for the Laurel House Project, the limited partners of Laurel House 2001, LP unconditionally assigned and transferred their 99.99% interest in the Laurel House Project to the Agency for $1 consideration. After the assignment of the limited partner's interest, in combination with the Agency's .01% ownership interest through Laurel House Apartments GP, Inc., the Agency owns 100% of the Laurel House Project.

ADDITIONAL INFORMATION

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2018

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Consolidating Entries	Consolidated
ASSETS				
Cash and cash equivalents, undesignated	$ 4,081,106	$ -	$ -	$ 4,081,106
Cash and cash equivalents, designated for federal programs	1,474,196	-	-	1,474,196
Accounts receivable	70,989	-	-	70,989
Government grants receivable	22,158	-	-	22,158
Accrued interest on loans receivable	134,456	-	-	134,456
Down payment assistance loans receivable, net	5,718,489	-	-	5,718,489
Flood assistance loans receivable, net	1,277,609	-	-	1,277,609
Development loans receivable, net	7,123,498	-	-	7,123,498
Shared equity loans receivable, net	1,481,217	-	-	1,481,217
Prepaid expenses and other assets	154,916	-	-	154,916
Property, furniture and equipment, net	132,727	-	-	132,727
Investment in subsidiary	200,000	-	(200,000)	-
Investment in limited partnership	-	200,000	-	200,000
TOTAL ASSETS	$ 21,871,361	$ 200,000	$ (200,000)	$ 21,871,361
LIABILITIES				
Accounts payable	$ 99,755	$ -	$ -	$ 99,755
Accrued expenses	77,352	-	-	77,352
Flood contract payable	242,861	-	-	242,861
Notes payable	10,871,302	-	-	10,871,302
TOTAL LIABILITIES	11,291,270	-	-	11,291,270
NET ASSETS				
Unrestricted	10,509,035	200,000	(200,000)	10,509,035
Temporarily restricted	71,056	-	-	71,056
TOTAL NET ASSETS	10,580,091	200,000	(200,000)	10,580,091
TOTAL LIABILITIES AND NET ASSETS	$ 21,871,361	$ 200,000	$ (200,000)	$ 21,871,361

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
Prepaid expenses and other assets	142,458	-	-	142,458
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 ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Consolidating Entries	Consolidated
SUPPORT AND REVENUES				
Public support:				
Federal, state and local government grants	$ 241,306	$ -	$ -	$ 241,306
Grants from private institutions	56,330	-	-	56,330
Revenues:				
Service and administrative fees	167,297	-	-	167,297
Interest income:				
Loans	463,144	-	-	463,144
Other	1,319	-	-	1,319
Other	37,080	-	-	37,080
TOTAL SUPPORT AND REVENUES	966,476	-	-	966,476
EXPENSES				
Program services:				
Low-income housing assistance programs	1,292,661	-	-	1,292,661
Flood assistance programs	73,276	-	-	73,276
Supporting services:				
Management and general	190,191	-	-	190,191
TOTAL EXPENSES	1,556,128	-	-	1,556,128
CHANGE IN NET ASSETS	(589,652)	-	-	(589,652)
NET ASSETS - BEGINNING OF YEAR	11,169,743	200,000	(200,000)	11,169,743
NET ASSETS - END OF YEAR	$ 10,580,091	$ 200,000	$ (200,000)	$ 10,580,091

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

OTHER REPORT

KraftCPAs PLLC

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, 2018, 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 24, 2019.

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
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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 24, 2019