

AUDITED FINANCIAL STATEMENTS

**VIRGINIA SUPPORTIVE HOUSING
AND AFFILIATES**

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES

**AUDITED
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
FINANCIAL STATEMENTS	
Entity Wide Statement of Financial Position	3
Entity Wide Statement of Activities	5
Entity Wide Statement of Cash Flows.....	6
Notes to Financial Statements	7
SUPPLEMENTAL INFORMATION	
Statements of Financial Position.....	20
Statements of Activities.....	22
Statements of Functional Expenses	
Year Ended December 31, 2017	23
Statements of Cash Flows	25
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Audit Standards</i>	27
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	29
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Federal Awards	33
Schedule of Findings and Questioned Costs.....	34
Corrective Action Plan	40
Summary Schedule of Prior Audit Findings	43



Dooley & Vicars
Certified Public Accountants, L.L.P.

Daniel J. Dooley, C.P.A.

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1

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Virginia Supportive Housing and Affiliates
Richmond, Virginia

We have audited the accompanying financial statements of Virginia Supportive Housing and Affiliates (a nonprofit corporation) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Supportive Housing and Affiliates at December 31, 2017, and the changes in its net position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITOR'S REPORT
(CONTINUED)**

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the 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 Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 May 25, 2018, on our consideration of Virginia Supportive Housing and Affiliates' 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 Virginia Supportive Housing and Affiliates' internal control over financial reporting and compliance.



Dooley & Vicars
Certified Public Accountants, L.L.P.

May 25, 2018

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

<u>Current Assets</u>	
Cash	\$ 1,782,699
Restricted	1,054,609
Federal Awards and Other Receivables	93,408
Developer Fees Receivable	951,130
Prepaid Insurance and Other Expenses	101,366
Accounts Receivable	589,880
Total Current Assets	<u>4,573,092</u>
<u>Deposits and Funded Reserves</u>	
Replacement Reserves	934,351
Residual Receipts	3,470
Mortgage Escrows	224,708
Operating Reserve	1,512,935
Lease Up Reserve	108,565
Tenant Security Deposits	123,680
Total Deposits and Funded Reserves	<u>2,907,709</u>
<u>Fixed Assets</u>	
Site Development	1,522,924
Property and Equipment	
Net of Accumulated Depreciation	66,877,093
Total Fixed Assets	<u>68,400,017</u>
<u>Other Assets</u>	
Investments	117,925
Amortizable Costs (Less Amortization)	105,390
Deferred Developer Fees Receivable	148,496
Total Other Assets	<u>371,811</u>
TOTAL ASSETS	<u>\$ 76,252,629</u>

The accompanying notes are an integral part of these financial statements.

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(CONTINUED)

LIABILITIES

Current Liabilities

Vendor Accounts	\$ 474,314
Payroll Liabilities	169,219
Other Liabilities	194,576
Accrued Compensated Absences	107,861
Tenant Security Deposits	104,228
Line of Credit	705,000
Prepaid Rent	58,981
Developer Fee Payable	951,130
Notes Payable (Current)	5,834,904
Current Maturities - Long-Term Debt	111,466
Total Current Liabilities	<u>8,711,679</u>

Long-Term Liabilities

Deferred Developer Fee	148,496
Notes Payable	16,431,082
Loan Cost, Net Amortization	(203,393)
Current Maturities - Long-Term Debt	(111,466)
Total Long-Term Liabilities	<u>16,264,719</u>

Total Liabilities	<u>24,976,398</u>
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NET POSITION

Net Position

Non-Ownership Equity	27,122,260
Unrestricted	23,895,829
Temporarily Restricted	176,528
Permanently Restricted	81,614
	<u>81,614</u>

Total Net Position	<u>51,276,231</u>
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TOTAL LIABILITIES AND NET POSITION	<u>\$ 76,252,629</u>
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The accompanying notes are an integral part of these financial statements.

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
STATEMENT OF ACTIVITIES
FOR THE PERIOD ENDED DECEMBER 31, 2017**

UNRESTRICTED NET ASSETS

Revenues	
Gain (Loss) on Sale of Property	\$ (3,896)
Unrealized Gain (Loss) on investments	9,078
Rental Income and Fees Earned	4,628,289
Developer Fees Earned	1,314,720
Government Grants	5,170,070
Investment Earnings and Other Revenue	117,631
Service Revenue	478,163
Contributions	1,248,751
Assets Released from Restrictions	3,036,416
	<u>15,999,222</u>
Expenses	
Program Services	12,419,038
Supporting Activities	1,117,689
	<u>13,536,727</u>
Increase (Decrease) in Unrestricted Net Assets	<u>2,462,495</u>

TEMPORARILY RESTRICTED NET ASSETS

Government Grants	3,105,937
Assets Released from Restriction because of Payments	<u>(3,036,416)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>69,521</u>

PERMANENTLY RESTRICTED NET ASSETS

Contributions	<u>2,550</u>
Increase (Decrease) in Permanently Restricted Net Assets	<u>2,550</u>

INCREASE (DECREASE) IN NET ASSETS 2,534,566

Capital Contributions	4,221,731
BEGINNING NET ASSETS	<u>44,519,934</u>
ENDING NET ASSETS	<u>\$ 51,276,231</u>

The accompanying notes are an integral part of these financial statements.

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets	\$ 2,534,566
Adjustments to Derive Cash Effect	
Depreciation	1,724,281
(Increase) Decrease in Operating Assets	
Accounts Receivable	(1,031,177)
Federal Awards and Other Receivables	189,441
Due to (From) Affiliates	175,107
Developer Fee Receivable	(377,084)
Prepaid Insurance and Other Expenses	(11,915)
Cash Restricted for Tenant Deposits	(28,274)
Other Assets	3,058
Increase (Decrease) in Operating Liabilities	
Vendor Payable	504,078
Security Deposit Liability	14,361
Prepaid Rents	10,858
Other Current Liabilities	34,974
Accrued Expenses	(2,752)
Payroll Liabilities	(48,251)
Non-Cash Interest (Income) Expense	246,096
Net Cash Provided By (Used In) Operating Activities	<u>3,937,367</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Deposits to Reserve for Replacements	72,823
Deposits to Escrow Accounts	(4,161)
Lease Up Reserve	(90)
Notes Receivable	(3,620,359)
(Increase) Decrease in Property & Equipment	(8,907,737)
Increase in Investments	(10,428)
Net Cash Provided By (Used In) Investing Activities	<u>(12,469,952)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Developer Fee Activity	(937,635)
Affiliate Advance	811,875
Payment of Tax Credit Fees	(98,534)
Payment of Loan Closing Costs	(54,250)
Capital Contributions	4,221,731
Notes Payable and Lines of Credit	6,237,941
Net Cash Provided By (Used In) Financing Activities	<u>10,181,128</u>
	1,648,543
Beginning Cash	<u>1,188,765</u>
ENDING CASH	<u><u>\$ 2,837,308</u></u>

The accompanying notes are an integral part of these financial statements.

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1: Nature of Business and Significant Accounting Policies

Consolidation of Financial Results - Virginia Supportive Housing (the Corporation) is a nonprofit, non-stock organization. The Corporation was created to develop, operate, and manage subsidized housing rented to the economically disadvantaged. Virginia Supportive Housing is the sole stockholder of Bliley Manor, Inc., Cherokee Hill of Richmond, Inc., Find Inc., Independence House, and James River Apartments. The financial results of Virginia Supportive Housing, Bliley Manor, Find, Cherokee Hill of Richmond, Independence House, James River Apartments, New Clay House, L.P., Veterans Apartments, Chestnut Hill, Cary Street Dfind, and its tax credit entities are consolidated in the accompanying financial statements. The statements report accounts and transactions among all entities.

Basis of Presentation

Intercompany transactions and balances have been eliminated in combination.

A not-for-profit Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

The Corporation consolidates related not-for-profit entities that share board control. The Corporation consolidates for-profit-entities utilizing some type of tax credit program in which VSH has the role of general partner, managing member, or sole shareholder.

A summary of the Corporation's significant accounting policies follows:

Cash and Cash Equivalents - For purposes of reporting, the Corporation includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents.

Use of Estimates - Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimating some of the amounts reported. Although actual results could differ from those estimates, management believes the chance of variances that would be material to the financial statements is remote.

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Nature of Business and Significant Accounting Policies (Continued)

Recognition of Donor Restrictions - VSH reports contributions that are restricted by the donor as an increase in unrestricted net assets if the restriction expires in the year in which the contribution is recognized. It reports all other donor-restricted contributions as an increase in temporarily restricted net assets and reclassifies them as unrestricted net assets when the restrictions expire.

Contributed Materials and Services - Contributed material and contributed services that either (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not contributed are recognized at their fair value when material. Other contributed materials and services are not recognized.

Depreciation - Depreciation is calculated using the straight line method.

Income Taxes - The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The tax credit entities are partnerships. No provision or liability for income taxes has been recorded because the partners are taxed on their proportionate shares of the Partnership's income. The Corporation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2017. Fiscal years ending on or after December 31, 2014, remain subject to examination by federal and state tax authorities.

Impairment of Assets - The Corporation and affiliates review their investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property.

Deferred Charges - Permanent loan costs and tax credit fees are deferred and will be amortized. Financing costs are amortized over the term of the mortgage loan using the effective yield method. Tax credit fees will be amortized over fifteen years.

Tenant Security Deposits - The Corporations Affiliates collect security deposits from each tenant to provide for costs incurred or unpaid rent when a tenant vacates the apartment. The cash collected is kept separate from operating funds and interest is paid on the security deposits in accordance with the lease agreement.

Tenant Accounts Receivable and Bad Debts - Tenant receivables are charged to bad debt when they are determined to be uncollectible based on a periodic review of the accounts by management. U.S. generally accepted accounting principles require that the allowance method be used to recognize bad debts. Management's allowance is for delinquent accounts over 90 days old.

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Nature of Business and Significant Accounting Policies (Continued)

Grant Accounts Receivable and Bad Debts - Grant receivables are charged to bad debt when they are determined to be uncollectible based on a periodic review of the accounts by management. U.S. generally accepted accounting principles require that the allowance method be used to recognize bad debts. Management does not currently record an allowance for grants because they are reimbursable grants from the Federal Government and no instances of non-payment are expected.

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

Grant Income - Grant income is recognized as the services and obligations of the grant agreement become due. Grant payments received in advance are deferred until earned.

Advertising and Fundraising Costs - Advertising and Fundraising costs are charged to operations when incurred.

Subsequent Events - Management has evaluated subsequent events through May 25, 2018, the date on which the financial statements were available to be issued.

Note 2: Property and Equipment

Property and equipment are reported at cost less accumulated depreciation.

Land	\$ 7,584,598
Land Improvements	3,262,526
Buildings	63,851,703
Furnishings and Equipment	2,236,210
Vehicles	275,589
Work in Progress	1,522,924
Accumulated Depreciation	<u>(10,333,533)</u>
	<u>\$ 68,400,017</u>

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 3: Investments

The Corporation owns all of the common stock of Vesta Housing Corporation, which has .49% general partnership interest in New Clay House Limited Partnership. The Corporation owns 100% of the common stock of both Find 3, Inc., and Find 4, Inc. The Corporation owns a .51% interest as a general partner in New Clay House Limited Partnership. The Corporation owns all of the common stock of Norfolk SRO, Inc., which owns a .01% interest as Managing Member of Gosnold Apartments, L.L.C. The Corporation owns all of the common stock of Cloverleaf SRO, Inc., which owns a .01% interest as Managing Member of Cloverleaf Apartments, L.L.C. The Corporation owns 100% of Preston Avenue Development Corporation, which owns a .009% interest as Managing Member of The Crossings at Fourth and Preston, L.L.C. The Corporation owns 100% of South Bay SRO, Inc., which owns a .009% interest as Managing Member of South Bay Apartments, L.L.C. The Corporation owns 100% of Heron's Landing SRO, Inc., which owns a .009% interest as Managing Member of Heron's Landing, L.L.C. The Corporation owns 100% of Hull Street Development Corporation, which owns a .009% interest as Managing Member of Studios at South Richmond, L.L.C. The Corporation owns 100% of Hull Street Development Corporation II, which owns a .009% interest as Managing Member of Studios II, L.L.C. The Corporation owns 100% of Crescent Square SRO, Inc., which owns a .009% interest as Managing Member of Crescent Square, L.L.C. The Corporation owns 100% of Church Street Station Development Corporation, which owns a .009% interest as Managing Member of Church Street Station Studios, L.L.C. The Corporation owns a 100% of Clay Street Development Corporation, which owns a .009% interest as managing member of New Clay House II, L.L.C.

During 2017, VSH incurred an impairment loss of \$220,635 related to its investments in Vesta Housing Corporation and New Clay House, L.P.

Note 4: Pension Plan

The Corporation has a Section 403(b) retirement plan. The plan provides for a discretionary employer contribution, which was not made during 2017. In addition the Corporation may make an elective match of the lessor of 1% of gross income or 50% of the employees contribution. During 2017, the Corporation did not match employee contributions.

Note 5: Due to/from Affiliates

Inter-entity Due To/From as well as inter-entity income and expenses have been eliminated in the consolidated statements.

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 6: Risk and Uncertainties

Financial instruments which potentially subject the Corporation to concentrations of credit risks consist principally of temporary cash investments. The Corporation places its temporary cash investments with high-credit quality financial institutions and, by policy, limits the amount of temporary cash investments held at any one financial institution. At December 31, 2017, Virginia Supportive Housing and affiliates had deposits in excess of FDIC limits in an amount of \$1,498,647.

Note 7: Lease

The Corporation has multiple office locations in the Commonwealth of Virginia. Below are the lease terms for each office location.

Richmond Office - The Corporation has signed a six and a half year lease for office space in Richmond, Virginia commencing April 1, 2017 and ending on September 30, 2023. During 2017, VSH paid \$33,125 in lease payments.

Norfolk Office - The Corporation has signed a five year lease for office space in Norfolk, Virginia commencing on July 1, 2012 and ending June 31, 2017. During 2017, VSH paid \$2,991 in lease payments. During January 2017 VSH ended the Norfolk office lease.

Petersburg Office - The Corporation has signed a three year lease for office space in Petersburg, Virginia commencing on November 14, 2013 and ending January 1, 2017. During 2017, VSH paid \$2,800 in lease payments.

Petersburg Office - The Corporation has signed a one year MOU for office space in Petersburg, Virginia commencing on August 1, 2017, and ending July 31, 2018. During 2017, VSH paid \$2,000 in lease payments.

Known annual lease payments for the next five years are as follows:

	<u>Richmond</u>	<u>Petersburg</u>	<u>Total</u>
2018	\$ 100,802	\$ 2,800	\$ 103,602
2019	103,826	-	103,826
2020	106,826	-	106,826
2021	110,149	-	110,149
2022	113,453	-	113,453

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 8: Notes Payable

At December 31, 2017, Virginia Supportive Housing and Affiliates had the following notes outstanding after intercompany elimination:

VSH - Richmond City HTF Loan (Studios II, L.L.C.)	\$ 181,762
VSH - FHLB Loan (Studios II, L.L.C.)	366,396
VSH - FHLB Loan (Crescent Square, L.L.C.)	500,000
VSH - FHLB Loan (Church Street Station Studios, L.L.C.)	500,000
* VSH - Wells Fargo	15,535
Crescent Square, L.L.C. - VHDA Loan	2,342,349
Crescent Square, L.L.C. - DHCD HOME Loan	700,000
Crescent Square, L.L.C. - DHCD HTF Loan	750,000
Studios II, L.L.C. - VHDA Loan	346,542
Studios II, L.L.C. - DHCD HOME Loan	700,000
Studios II, L.L.C. - DHCD HTF Loan	750,000
* Church Street Station Studios, L.L.C. - Construction Loan	5,819,369
Bliley Manor - U.S. Department of Housing and Urban Development	285,700
Cherokee Hill/Stratford - U.S. Department of Housing and Urban Development	273,100
James River Apartments - VHDA HOME Loan	501,000
FIND, Inc. - DHCD Note	185,000
Gosnold Apartments, L.L.C. - The City of Virginia Beach - CDBG	200,180
Gosnold Apartments, L.L.C. - The City of Virginia Beach - Home	55,000
Gosnold Apartments, L.L.C. - DHCD Loan	744,331
Chestnut Hill, L.L.C. - DHCD Note	112,000
Chestnut Hill, L.L.C. - City Home Funds	78,480
New Clay House II, L.L.C. - Construction Loan	862,065
Cloverleaf Apartments, L.L.C. - VHDA Note	324,851
Cloverleaf Apartments, L.L.C. - DHCD Note	500,000
The Crossings at Fourth and Preston, L.L.C. - The City of Charlottesville	2,010,996
The Crossings at Fourth and Preston, L.L.C. - VHDA Loan	761,330
The Crossings at Fourth and Preston, L.L.C. - DHCD Loan	700,000
Studios at South Richmond, L.L.C. - DHCD Loan	500,000
Heron's Landing, L.L.C. - DHCD Loan	700,000
South Bay Apartments, L.L.C. - DHCD Note	500,000
Less: Loan Cost Amortization, net	(203,393)
Less: Current Maturities	(111,466)
Total	<u>\$ 21,951,127</u>

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 8: Notes Payable (Continued)

The (*) indicates that the note is presented in current liabilities. As of December, 31 2017, the total of short-term notes was \$5,834,904.

Total interest cost of \$601,399 was incurred during the year ended December 31, 2017. Of this amount \$268,699 was capitalized and \$11,298 was related to loan cost amortization.

VSH/Studios II, L.L.C. - VSH entered into a pass thru note with the City of Richmond, Virginia for \$181,762. The note bears no interest and is due in full June 2046.

VSH/Studios II, L.L.C. - VSH entered into a pass thru note payable with the Federal Home Loan Bank of Atlanta for \$366,396 (payable to the FHLB). This notes bears interest of 2.74% (payable to VSH), compounding annually, The loan is due July 2046.

VSH/Crescent Square, L.L.C. - VSH entered into a pass thru note payable with the Federal Home Loan Bank of Atlanta for \$500,000. This notes bears no interest, with interest waived, not forgiven. The loan is due July 2031.

VSH/Crescent Square, L.L.C. - VSH entered into a pass thru note payable with the Federal Home Loan Bank of Atlanta for \$500,000. This notes bears no interest, with interest waived, not forgiven. The loan is due August 2046.

VSH/Wells Fargo- Converted Line of Credit - Interest rate of bank prime rate plus 6.25%. Interest and principal payments of \$2,364 are due monthly. This loan is due July 2018.

Crescent Square, L.L.C. - VHDA Loan - The funds are loaned at an interest rate of 0.50%. Payments of interest and principal are due monthly until September 2052.

Crescent Square, L.L.C. - DHCD HOME Loan - This note has an interest rate of 0.50% and the total principal is due in January of 2037. Interest only payments of \$297.67 are due monthly.

Crescent Square, L.L.C. - DHCD HTF Loan - This note has an interest rate of 0.50% and the total principal is due in January of 2037. Interest only payments of \$312.50 are due monthly.

Studios II, L.L.C. - VHDA Loan - This is a mortgage payable for \$346,542. The funds are loaned at an interest rate of 2.95% compounded monthly. Payments of interest and principal are due monthly until July 2046.

Studios II, L.L.C. - DHCD HOME Loan - This note has an interest rate of 0.50% and the total principal is due in July of 2036. Interest only payments of \$312.50 are due monthly.

Studios II, L.L.C. - DHCD HTF Loan - This note has an interest rate of 0.50% and the total principal is due in July of 2036. Interest only payments of \$291.67 are due monthly.

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 8: Notes Payable (Continued)

Church Street Station Studios, L.L.C. - The Company has a construction loan with Virginia Community Capital Bank with a credit limit of \$6,500,000. The loan is due June 2018 and bears interest of 4.5% per annum.

Bliley Manor, Inc. - The permanent mortgage note is insured with the U.S. Department of Housing and Urban Development (HUD) and collateralized by a deed of trust on the rental property. The note bears interest at the rate of 0.0%. The repayment of the note is not required as long as the housing remains available for very low-income persons with disabilities.

Cherokee Hill/Stratford - U.S. Department of Housing and Urban Development note - the permanent mortgage note is insured with the U.S. Department of Housing and Urban Development (HUD) and collateralized by a deed of trust on the rental property. The note bears interest at the rate of 0.0%. The repayment of the note is not required as long as the housing remains available for very low-income persons with disabilities.

James River Apartments - This is a deferred loan agreement with the Virginia Department of Housing and Community Development. The note bears no interest and repayment of the note is not required as long as the housing remains available for very low-income persons with disabilities.

FIND, Inc. - DHCD note has an interest rate of 0.0% and the total principal is due February 2023.

Gosnold Apartments, L.L.C. - The City of Virginia Beach - CDBG loan is a 30-year interest only loan and is cash flow dependent. The CDBG funds are loaned at a interest rate of 0.25% per annum compounded annually.

Gosnold Apartments, L.L.C. - The City of Virginia Beach - The HOME loan is a 30-year interest only loan and is cash flow dependent. The HOME funds are loaned at a interest rate of 0.0% per annum compounded annually.

Gosnold Apartments, L.L.C. - DHCD Loan - Gosnold Apartments, L.L.C. has a loan with DHCD. This loan accrues interest at 4.9% and is cash flow dependent. Principal and accrued interest are due June 2037 if not paid sooner.

Chestnut Hill, L.L.C. - DHCD Note - This note has an interest rate of 0.0% and the total principal is due in May of 2020.

Chestnut Hill, L.L.C. - City Home Funds - This note has an interest rate of 1.0% and the total principal was due on October 1, 2009. Chestnut Hill, L.L.C., is currently working with Richmond Redevelopment and Housing Authority and the City of Richmond to forgive or extend the loan.

New Clay House II, L.L.C. - Union Bank construction loan is payable upon obtaining permanent financing or December 31, 2019. The loan bears interest of 4.75% per annum on the outstanding balance.

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 8: Notes Payable (Continued)

Cloverleaf Apartments, L.L.C. - VHDA Note - The Company has a mortgage payable with VHDA, with a 33-year term. The funds are loaned at an interest rate of 0.0%. Principal payments are due monthly until September 2042.

Cloverleaf Apartments, L.L.C. - DHCD Note - The Company has a loan payable with the Department of Housing and Community Development. The loan is for \$500,000 with a 15-year term. The funds are loaned at an interest rate of 0.0%. Total principal is due July 2024.

The Crossings at Fourth and Preston, L.L.C. - The City of Charlottesville Note - This note has an interest rate of 4.3% per annum compounded annually. The note becomes due June 30, 2042.

The Crossings at Fourth and Preston, L.L.C. - VHDA Loan - The funds are loaned at an interest rate of 1.00% compounded annually. Payments of interest and principal are due monthly until September 2042.

The Crossings at Fourth and Preston, L.L.C. - DHCD Loan - This is a deferred note payable with the Department of Housing and Community Development with a principal amount of \$700,000. The funds are loaned at an interest rate of 0.0%. Total principal is due August 2032.

Studios at South Richmond, L.L.C. - DHCD Loan - This is a deferred note payable with the Department of Housing and Community Development with a principal amount of \$500,000. The funds are loaned at an interest rate of 0.0%. Total principal is due May 2032.

Heron's Landing, L.L.C. - DHCD Loan - This is a deferred note payable with the Department of Housing and Community Development with a principal amount of \$700,000. The funds are loaned at an interest rate of 0.50%. Total principal is due October 2033.

South Bay Apartments, L.L.C. - DHCD Loan - The Company has a deferred note payable with the Department of Housing and Community Development that is a 20 year loan with a stated interest rate of 0%. The entire balance of principal is due in 2031.

Principal payments of long-term debt for the next five years are as follows:

2018	\$ 111,466
2019	112,290
2020	113,128
2021	113,975
2022	114,835
Thereafter	15,865,388

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 9: Interest Loan Receivable and Allowance for Doubtful Accounts

Virginia Supportive Housing has notes receivable due from ten affiliates. Virginia Supportive Housing accrues a receivable for interest on loans to five of these affiliates. The interest receivable from Cloverleaf Apartments, L.L.C. is fully allowed for, as the receivable is unlikely to be collected. These notes have been eliminated on the Statement of Financial Position.

Affiliate	Loan Amount	Interest Rate	Accrued Interest	Total
Crescent Square, L.L.C.	\$ 100,000	2.74%	\$ 7,774	\$ 107,774
Crescent Square, L.L.C.	1,236,000	2.74%	96,087	1,332,087
Crescent Square, L.L.C.	659,419	2.74%	51,264	710,683
Crescent Square, L.L.C.	567,543	0.00%	-	567,543
Crescent Square, L.L.C.	500,000	0.00%	-	500,000
Studios II, L.L.C.	181,762	0.00%	-	181,762
Studios II, L.L.C.	366,396	2.74%	15,196	381,592
Studios II, L.L.C.	471,480	2.74%	39,827	511,307
Church Street Station Studios	100,000	0.00%	-	100,000
Church Street Station Studios	180,000	1.00%	1,800	181,800
Church Street Station Studios	1,467,000	1.00%	7,285	1,474,285
Church Street Station Studios	500,000	1.00%	1,042	501,042
New Clay House II, L.L.C.	570,000	0.00%	-	570,000
New Clay House II, L.L.C.	400,000	0.00%	-	400,000
New Clay House II, L.L.C.	601,875	0.00%	-	601,875
Cloverleaf Apartments, L.L.C.	750,000	4.75%	365,456	1,115,456
Cloverleaf Apartments, L.L.C.	60,000	0.01%	607	60,607
Cloverleaf Apartments, L.L.C.	1,300,000	0.00%	-	1,300,000
Studios at South Richmond	839,651	0.00%	-	839,651
Crossings at Fourth and Preston	605,000	0.00%	-	605,000
Crossings at Fourth and Preston	600,000	0.00%	-	600,000
Heron's Landing, L.L.C.	1,700,000	0.00%	-	1,700,000
Heron's Landing, L.L.C.	600,000	0.00%	-	600,000
Heron's Landing, L.L.C.	480,000	0.00%	-	480,000
Heron's Landing, L.L.C.	360,000	0.00%	-	360,000
Heron's Landing, L.L.C.	120,000	0.00%	-	120,000
Heron's Landing, L.L.C.	358,000	4.00%	29,213	387,213
Heron's Landing, L.L.C.	955,000	0.00%	-	955,000
South Bay Apartments, L.L.C.	1,920,847	0.00%	-	1,920,847
Gosnold Apartments, L.L.C.	120,000	0.25%	3,212	123,212
Less: Allowance for Accrued Interest				(366,063)
				<u>\$ 18,922,673</u>

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 10: Line of Credit

At December 31, 2017, Virginia Supportive Housing has the following lines of credit available:

<u>Bank</u>	<u>Balance</u>	<u>Terms</u>
Virginia Community Capital	\$ 350,000	Limit of \$350,000. Interest rate of bank prime rate plus 1%. As of December 31, 2017, the interest rate was 5.50%. Interest only payments are due monthly.
Bon Secours	250,000	Limit of \$250,000. Interest rate of 2.5% simple. Semi-annual interest payments are due April 1st and October 1st of each year. The loan is due April 1, 2019.
BB&T	-	Limit of \$500,000. Interest rate of bank prime rate(4.25%). Interest only payments are due monthly.
BB&T	-	Limit of \$100,000. Interest rate of bank prime rate(4.25%). Interest only payments are due monthly.
Local Initiatives Support Corporation	105,000	Limit of \$500,000. Line of credit has an interest rate of 6%, and payments of interest are due monthly.
	<u>\$ 705,000</u>	

Note 11: Reserve for Replacement

In the tax credit entities and other entities, in accordance with provisions of the mortgage or a regulatory agreement, restricted cash is held and to be used for replacement of property with the approval of the mortgagor or HUD. The following is the consolidated total as of December 31, 2017.

Total Replacement Reserves	\$ 934,351
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VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 12: Mortgage Escrow Deposits

In the tax credit entities and other entities, in accordance with provisions of the mortgage, funds are required to be held by the Virginia Housing Development Authority (VHDA) in escrow for future payments of real estate taxes and insurance. At December 31, 2017, the escrow account maintained by VHDA is as follows:

Total Mortgage Escrows	\$ 224,708
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Note 13: Operating Reserve

In accordance with provisions of the partnership agreements, the tax credit entities have funded an operating deficit reserve. The reserve will be used to fund any operating deficits and other cash requirements of the partnerships throughout the term of each partnership. Withdrawals from the reserve shall require the prior approval of a majority in interest of the limited partners. The following is the consolidated total as of December 31, 2017.

Total Operating Reserves	\$ 1,512,935
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Note 15: Compensated Absences

The Corporation allows employees to accrue compensated absences and the earned leave to future years. The following summarizes the compensated absence expense and accrual during 2017:

12/31/2016	Earned 2017	Used 2017	12/31/2017
\$ 126,491	\$ 74,310	\$ 92,940	\$ 107,861

Note 14: Endowment

As of December 31, 2017, the Corporation has received permanently restricted contributions in the amount of \$81,614. During 2015 the Corporation entered into a permanent endowment management contract with The Community Foundation (TCF).

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 14: Endowment (Continued)

The Board of Directors of Virginia Supportive Housing (VSH) has interpreted the State Management of Institutional Funds Act (SMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, VSH classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by SMIFA. In accordance with SMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Corporation
- (7) The investment policies of the Corporation

	Held By		Total
	VSH	TCF	
Beginning Balance	\$ -	\$ 79,689	\$ 79,689
Contributions	2,550	-	2,550
Transfers	(2,200)	2,200	-
Service Fees	-	(835)	(835)
Unrealized Gain (Loss)	-	8,713	8,713
Ending Balance	<u>\$ 350</u>	<u>\$ 89,767</u>	<u>\$ 90,117</u>

Held By	Temporarily			Total
	Unrestricted	Restricted	Restricted	
VSH	\$ -	\$ -	\$ 350	\$ 350
TCF	8,503	-	81,264	89,767
Total	<u>\$ 8,503</u>	<u>\$ -</u>	<u>\$ 81,614</u>	<u>\$ 90,117</u>

SUPPLEMENTAL INFORMATION

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

<u>ASSETS</u>	VSH	Tax Credit Entities	Section 811 Properties	Other Entities	Inter-entity Eliminations	Total
<u>Current Assets</u>						
Cash	\$ 474,187	\$ 1,218,317	\$ 65,145	\$ 25,050	\$ -	\$ 1,782,699
Restricted	176,528	878,081	-	-	-	1,054,609
Federal Awards and Other Receivables	-	42,971	50,437	-	-	93,408
Due From Affiliates	-	46,709	-	87,443	(134,152)	-
Developer Fees Receivable	951,130	-	-	-	-	951,130
Prepaid Insurance and Other Expenses	33,256	68,110	-	-	-	101,366
Accounts Receivable	1,047,665	83,465	7,074	2,531	(550,855)	589,880
Total Current Assets	<u>2,682,766</u>	<u>2,337,653</u>	<u>122,656</u>	<u>115,024</u>	<u>(685,007)</u>	<u>4,573,092</u>
<u>Deposits and Funded Reserves</u>						
Replacement Reserves	-	735,709	125,963	72,679	-	934,351
Residual Receipts	-	-	3,470	-	-	3,470
Mortgage Escrows	-	218,420	-	6,288	-	224,708
Operating Reserve	-	1,512,935	-	-	-	1,512,935
Other Reserve	-	108,565	-	-	-	108,565
Tenant Security Deposits	-	109,175	7,754	6,751	-	123,680
Total Deposits and Funded Reserves	<u>-</u>	<u>2,684,804</u>	<u>137,187</u>	<u>85,718</u>	<u>-</u>	<u>2,907,709</u>
<u>Fixed Assets</u>						
Site Development	-	1,522,924	-	-	-	1,522,924
Property and Equipment						
Net of Accumulated Depreciation	70,203	62,401,425	2,482,342	1,923,123	-	66,877,093
Total Fixed Assets	<u>70,203</u>	<u>63,924,349</u>	<u>2,482,342</u>	<u>1,923,123</u>	<u>-</u>	<u>68,400,017</u>
<u>Other Assets</u>						
Notes Receivable	18,922,673	-	-	-	(18,922,673)	-
Long-Term Accounts Receivable	106,800	-	-	-	(106,800)	-
Investments	6,321,527	27,808	-	-	(6,231,410)	117,925
Amortizable Costs (Less Amortization)	-	105,390	-	-	-	105,390
Deferred Developer Fees Receivable	148,496	-	-	-	-	148,496
Total Other Assets	<u>25,499,496</u>	<u>133,198</u>	<u>-</u>	<u>-</u>	<u>(25,260,883)</u>	<u>371,811</u>
TOTAL ASSETS	<u>\$ 28,252,465</u>	<u>\$ 69,080,004</u>	<u>\$ 2,742,185</u>	<u>\$ 2,123,865</u>	<u>\$ (25,945,890)</u>	<u>\$ 76,252,629</u>

The accompanying notes are an integral part of these financial statements.

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(CONTINUED)

<u>LIABILITIES</u>	VSH	Tax Credit Entities	Section 811 Properties	Other Entities	Inter-entity Eliminations	Total
<u>Current Liabilities</u>						
Vendor Accounts	\$ 245,808	\$ 665,554	\$ 95,413	\$ 126,645	\$ (659,106)	\$ 474,314
Payroll Liabilities	169,219	-	-	-	-	169,219
Other Liabilities	168,335	26,241	-	-	-	194,576
Accrued Compensated Absences	107,861	-	-	-	-	107,861
Due to Affiliates	-	-	-	3,000	(3,000)	-
Tenant Security Deposits	-	92,534	6,423	5,271	-	104,228
Line of Credit	705,000	-	-	-	-	705,000
Prepaid Rent	-	55,401	2,379	1,201	-	58,981
Developer Fee Payable	-	951,130	-	-	-	951,130
Notes Payable (Current)	15,535	5,819,369	-	-	-	5,834,904
Current Maturities - Long-Term Debt	-	111,466	-	-	-	111,466
Total Current Liabilities	<u>1,411,758</u>	<u>7,721,695</u>	<u>104,215</u>	<u>136,117</u>	<u>(662,106)</u>	<u>8,711,679</u>
<u>Long-Term Liabilities</u>						
Deferred Developer Fee	-	148,496	-	-	-	148,496
Capital Support VSH	-	-	-	1,878,151	(1,878,151)	-
Notes Payable	1,548,158	32,736,380	1,059,800	375,480	(19,288,736)	16,431,082
Loan Cost, Net Amortization	-	(203,393)	-	-	-	(203,393)
Current Maturities - Long-Term Debt	-	(111,466)	-	-	-	(111,466)
Total Long-Term Liabilities	<u>1,548,158</u>	<u>32,570,017</u>	<u>1,059,800</u>	<u>2,253,631</u>	<u>(21,166,887)</u>	<u>16,264,719</u>
Total Liabilities	<u>2,959,916</u>	<u>40,291,712</u>	<u>1,164,015</u>	<u>2,389,748</u>	<u>(21,828,993)</u>	<u>24,976,398</u>
<u>NET ASSETS</u>						
<u>Net Assets</u>						
Non-Ownership Equity	-	27,122,260	-	-	-	27,122,260
Unrestricted	25,034,407	1,666,032	1,578,170	(265,883)	(4,116,897)	23,895,829
Temporarily Restricted	176,528	-	-	-	-	176,528
Permanently Restricted	81,614	-	-	-	-	81,614
Total Net Assets	<u>25,292,549</u>	<u>28,788,292</u>	<u>1,578,170</u>	<u>(265,883)</u>	<u>(4,116,897)</u>	<u>51,276,231</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,252,465</u>	<u>\$ 69,080,004</u>	<u>\$ 2,742,185</u>	<u>\$ 2,123,865</u>	<u>\$ (25,945,890)</u>	<u>\$ 76,252,629</u>

The accompanying notes are an integral part of these financial statements.

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
STATEMENT OF ACTIVITIES
FOR THE PERIOD ENDED DECEMBER 31, 2017

	VSH	Tax Credit Entities	Section 811 Properties	Other Entities	Inter-entity Eliminations	Total
UNRESTRICTED NET ASSETS						
Revenues						
Gain (Loss) on Sale of Property	\$ (3,896)	\$ -	\$ -	\$ -	\$ -	\$ (3,896)
Unrealized Gain (Loss) on Investments	9,078	-	-	-	-	9,078
Rental Income and Fees Earned	420,557	4,265,408	260,726	102,155	(420,557)	4,628,289
Developer Fees	1,314,720	-	-	-	-	1,314,720
Government Grants	5,077,001	-	81,378	11,691	-	5,170,070
Investment Earnings and Other Revenue	141,914	60,613	1,961	55,057	(141,914)	117,631
Medicaid Revenue	478,163	-	-	-	-	478,163
Contributions	1,248,751	-	-	-	-	1,248,751
Assets Released from Restrictions	3,036,416	-	-	-	-	3,036,416
Total Revenues	<u>11,722,704</u>	<u>4,326,021</u>	<u>344,065</u>	<u>168,903</u>	<u>(562,471)</u>	<u>15,999,222</u>
Expenses						
Program Services	6,509,837	5,719,070	439,643	312,959	(562,471)	12,419,038
Supporting Activities	1,117,689	-	-	-	-	1,117,689
Total Expenses	<u>7,627,526</u>	<u>5,719,070</u>	<u>439,643</u>	<u>312,959</u>	<u>(562,471)</u>	<u>13,536,727</u>
Net Operating Income	4,095,178	(1,393,049)	(95,578)	(144,056)	-	2,462,495
Impairment Loss	220,635	-	-	-	(220,635)	-
Increase (Decrease) in Unrestricted Net Assets	<u>3,874,543</u>	<u>(1,393,049)</u>	<u>(95,578)</u>	<u>(144,056)</u>	<u>220,635</u>	<u>2,462,495</u>
TEMPORARILY RESTRICTED NET ASSETS						
Government Grants	3,105,937	-	-	-	-	3,105,937
Assets Released from Restrictions	(3,036,416)	-	-	-	-	(3,036,416)
Increase (Decrease) in Temporarily Restricted Net Assets	<u>69,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,521</u>
PERMANATLY RESTRICTED NET ASSETS						
Contributions	2,550	-	-	-	-	2,550
Increase (Decrease) in Permanently Restricted Net Assets	<u>2,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,550</u>
INCREASE (DECREASE) IN NET ASSETS	<u>3,946,614</u>	<u>(1,393,049)</u>	<u>(95,578)</u>	<u>(144,056)</u>	<u>220,635</u>	<u>2,534,566</u>
Capital Contributions	-	4,221,731	-	-	-	4,221,731
Transfers	-	11,951	-	(11,951)	-	-
BEGINNING NET ASSETS	<u>21,345,935</u>	<u>25,947,659</u>	<u>1,673,748</u>	<u>(109,876)</u>	<u>(4,337,532)</u>	<u>44,519,934</u>
ENDING NET ASSETS	<u>\$ 25,292,549</u>	<u>\$ 28,788,292</u>	<u>\$ 1,578,170</u>	<u>\$ (265,883)</u>	<u>\$ (4,116,897)</u>	<u>\$ 51,276,231</u>

The accompanying notes are an integral part of these financial statements.

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD ENDED DECEMBER 31, 2017**

	Program Activities							
	Section 811 Properties	Other Entities	Tax Credit Entities	Supportive Services for Veteran's Families	Property Mgmt	Housing Development	Support Services - South Hampton Roads	Homelink
Compensation	\$ 104,508	\$ 34,963	\$ 1,209,183	\$ 430,358	\$ 80,781	\$ 126,393	\$ 264,137	\$ 334,581
Employee Benefits	17,842	4,521	173,924	49,178	5,816	2,908	31,258	51,090
Payroll Taxes	7,045	2,991	87,117	30,635	3,512	10,201	21,879	26,421
Tenant Activities	-	-	1,457	654,474	-	-	5,066	644,292
Depreciation	87,371	74,274	1,524,692	-	-	-	-	-
Insurance	19,507	20,712	276,599	742	324	1,400	2,170	3,419
Interest	-	-	293,240	-	-	-	-	-
Professional Services	43,364	18,920	531,631	6,324	4,204	14,111	9,315	7,377
Marketing & Advertising	981	18	7,433	1,051	80	-	356	395
Conference & Meetings	1,855	1,172	22,337	1,084	-	1,965	-	-
Meals & Travel	125	32	5,056	31,899	2,984	4,608	6,313	13,438
Rent	1,628	545	17,671	13,330	820	2,247	5,367	7,526
Repair/Maint.	50,354	34,219	421,171	1,252	5,704	1,647	266	1,335
Supplies/Postage	711	219	12,509	7,292	-	1,634	1,673	2,959
Telephone	8,431	2,166	56,282	4,147	888	-	5,284	5,363
Utilities	64,376	43,303	623,659	-	-	-	-	-
Real Estate Tax	504	-	332,020	-	-	-	-	-
Organizational	100	325	4,996	6,011	-	1,678	39	851
Other	30,941	74,579	118,093	7,467	1,188	3,376	3,225	5,866
	<u>\$ 439,643</u>	<u>\$ 312,959</u>	<u>\$ 5,719,070</u>	<u>\$ 1,245,244</u>	<u>\$ 106,301</u>	<u>\$ 172,168</u>	<u>\$ 356,348</u>	<u>\$ 1,104,913</u>

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD ENDED DECEMBER 31, 2017
(CONTINUED)**

	Program Activities				Supporting Activities			Grand Total
	A Place To Start (APTS)	Housing First	Support Services - Charlottesville	Support Services - Richmond	Shelter Plus Care	Management & General	Fund Raising	
Compensation	\$ 382,100	\$ 499,683	\$ 34,678	\$ 233,229	\$ 117,864	\$ 326,878	\$ 197,266	\$ 4,376,602
Employee Benefits	56,694	71,405	945	48,634	12,938	41,566	29,498	598,217
Payroll Taxes	29,620	41,130	3,010	14,113	8,494	19,647	16,673	322,488
Tenant Activities	8,958	710,788	990	13,328	1,023,013	-	-	3,062,366
Depreciation	-	-	-	-	-	41,915	-	1,728,252
Insurance	4,839	4,741	197	6,889	202	5,789	1,544	349,074
Interest	-	-	-	-	-	39,460	-	332,700
Professional Services	9,562	7,078	949	23,331	1,113	105,774	136,622	919,675
Marketing & Advertising	939	444	54	212	-	798	8,018	20,779
Conference & Meetings	358	-	-	233	359	883	920	31,166
Meals & Travel	9,816	14,673	2,644	13,306	8,705	3,943	7,724	125,266
Rent	9,095	14,297	1,144	9,033	905	4,200	3,752	91,560
Repair/Maint.	2,239	2,957	-	10,133	211	8,937	2,541	542,966
Supplies/Postage	2,808	2,127	453	4,562	1,964	7,849	8,445	55,205
Telephone	7,080	8,648	972	4,030	763	11,043	1,345	116,442
Utilities	-	-	-	-	-	-	-	731,338
Real Estate Tax	-	-	-	-	-	-	-	332,524
Organizational	2,549	415	-	1,283	203	2,105	135	20,690
Other	3,644	4,171	87	5,515	1,317	74,516	7,903	341,888
	<u>\$ 530,301</u>	<u>\$ 1,382,557</u>	<u>\$ 46,123</u>	<u>\$ 387,831</u>	<u>\$ 1,178,051</u>	<u>\$ 695,303</u>	<u>\$ 422,386</u>	<u>\$ 14,099,198</u>

The accompanying notes are an integral part of these financial statements.

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2017

	VSH	Tax Credit Entities	Section 811 Properties	Other Entities	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Increase (Decrease) in Net Assets	\$ 4,167,249	\$ (1,393,049)	\$ (95,578)	\$ (144,056)	\$ 2,534,566
Adjustments to Derive Cash Effect					
Depreciation	41,915	1,520,721	87,371	74,274	1,724,281
(Increase) Decrease in Operating Assets					
Accounts Receivable	(1,001,920)	(28,764)	(4,864)	4,371	(1,031,177)
Federal Awards and Other Receivables	262,015	(34,153)	(38,421)	-	189,441
Due to (From) Affiliates	165,581	-	-	9,526	175,107
Developer Fee Receivable	(377,084)	-	-	-	(377,084)
Prepaid Insurance and Other Expenses	47,061	(63,964)	-	4,988	(11,915)
Cash Restricted for Tenant Deposits	-	(30,464)	(1,435)	3,625	(28,274)
Other Assets	3,058	-	-	-	3,058
Increase (Decrease) in Operating Liabilities					
Vendor Payable	158,642	278,352	50,207	16,877	504,078
Security Deposit Liability	-	17,865	880	(4,384)	14,361
Prepaid Rents	-	12,272	(162)	(1,252)	10,858
Other Current Liabilities	44,866	(9,892)	-	-	34,974
Accrued Expenses	-	(1,450)	(1,302)	-	(2,752)
Payroll Liabilities	(48,251)	-	-	-	(48,251)
Non-Cash Interest (Income) Expense	-	246,096	-	-	246,096
Net Cash Provided by (Used in) Operating Activities	\$ 3,463,132	\$ 513,570	\$ (3,304)	\$ (36,031)	\$ 3,937,367

The accompanying notes are an integral part of these financial statements.

VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2017

	VSH	Tax Credit Entities	Section 811 Properties	Other Entities	Total
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Deposits to Reserve for Replacements	\$ -	\$ 62,418	\$ 13,172	\$ (2,767)	\$ 72,823
Deposits to Escrow Accounts	-	-	-	(4,161)	(4,161)
Deposits to Development-Held Reserve	-	(90)	-	-	(90)
Notes Receivable	(3,620,359)	-	-	-	(3,620,359)
(Increase) Decrease in Property & Equipment	(24,108)	(8,883,629)	-	-	(8,907,737)
(Increase) Decrease in Investments	(10,428)	-	-	-	(10,428)
Net Cash Provided by (Used in) Investing Activities	<u>(3,654,895)</u>	<u>(8,821,301)</u>	<u>13,172</u>	<u>(6,928)</u>	<u>(12,469,952)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>					
Developer Fee Activity	-	(937,635)	-	-	(937,635)
Affiliate Advance	-	811,875	-	-	811,875
Payment of Tax Credit Fees	-	(98,534)	-	-	(98,534)
Payment of Loan Closing Costs	-	(54,250)	-	-	(54,250)
Capital Contributions	-	4,221,731	-	-	4,221,731
Notes Payable and Lines of Credit	578,533	5,659,408	-	-	6,237,941
Net Cash Provided by (Used in) Financing Activities	<u>578,533</u>	<u>9,602,595</u>	<u>-</u>	<u>-</u>	<u>10,181,128</u>
Increase (Decrease) in Cash	386,770	1,294,864	9,868	(42,959)	1,648,543
Beginning Cash	263,945	801,534	55,277	68,009	1,188,765
ENDING CASH	<u>\$ 650,715</u>	<u>\$ 2,096,398</u>	<u>\$ 65,145</u>	<u>\$ 25,050</u>	<u>\$ 2,837,308</u>

The accompanying notes are an integral part of these financial statements.



**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
Virginia Supportive Housing
Richmond, Virginia

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 financial statements of Virginia Supportive Housing and Affiliates, which comprise of the statement of financial position as of December 31, 2017, and the related statements of activities, changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon May 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Virginia Supportive Housing's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Supportive Housing's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Supportive Housing'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 a 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 over financial reporting 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 significant deficiencies or material weaknesses. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia Supportive Housing's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions, 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 opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, and 2017-006.

**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*
(CONTINUED)**

Response to Findings

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

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 Virginia Supportive Housing and Affiliates' 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.



Dooley & Vicars
Certified Public Accountants, L.L.P.

May 25, 2018



Dooley & Vicars
Certified Public Accountants, L.L.P.

Daniel J. Dooley, C.P.A.

Michael H. Vicars, C.P.A.

29

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Virginia Supportive Housing
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited Virginia Supportive Housing and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Virginia Supportive Housing and Affiliates' major federal programs for the year ended December 31, 2017. Virginia Supportive Housing and Affiliates' 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 federal statutes, 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 Virginia Supportive Housing and Affiliates' 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 Virginia Supportive Housing and Affiliates' 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 Virginia Supportive Housing and Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, Virginia Supportive Housing and Affiliates 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 December 31, 2017.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, and 2017-006. Our opinion on each major federal program is not modified with respect to these matters.

Virginia Supportive Housing and Affiliates response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Virginia Supportive Housing and Affiliates response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Virginia Supportive Housing and Affiliates 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 Virginia Supportive Housing and Affiliates' 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 Virginia Supportive Housing and Affiliates' 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Report on Internal Control Over Compliance (Continued)

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.



Dooley & Vicars
Certified Public Accountants

May 25, 2018

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Schedule of Expenditures of Federal Awards</u>	Federal CFDA Number	Federal Expenditures
<u>Department of Housing and Urban Development:</u>		
Section 811 Loan	14.181	\$ 1,820,700
Continuum of Care Program	14.267	1,961,471
Multifamily Housing Service Coordinator	14.191	55,924
Total U.S. Department of Housing and Urban Development		<u>3,838,095</u>
Pass-Through from Virginia Department of Housing and Community Development		
Home Investment Partnerships Program	14.239*	<u>5,807,000</u>
		<u>5,807,000</u>
Pass-Through from City of Richmond		
Community Development Block Grant	14.218*	100,000
Continuum of Care Program	14.267	1,264,069
Housing Opportunities for People With Aids	14.241	<u>85,411</u>
		<u>1,449,480</u>
Pass-Through from City of Norfolk		
Home Investment Partnerships Program	14.239*	153,199
Community Development Block Grant	14.218*	<u>175,416</u>
		<u>328,615</u>
Pass-Through from City of Virginia Beach		
Home Investment Partnerships Program	14.239*	<u>750,000</u>
		<u>750,000</u>
Pass-Through from City of Chesapeake		
Community Development Block Grant	14.218*	<u>6,215</u>
		<u>6,215</u>
<u>Department of Veterans Affairs</u>		
Supportive Services for Veterans Families	64.033*	<u>1,375,431</u>
Total Department of Veterans Affairs		<u>1,375,431</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u><u>\$ 13,554,836</u></u>

* Major Program

The accompanying notes are an integral part of this schedule.

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
NOTES TO SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1: Basis of Accounting

The Schedule of Financial Assistance is prepared on the GAAP basis of accounting. Several programs are funded jointly by the localities and the Commonwealth of Virginia. Costs incurred for such programs are applied to Federal grants in accordance with the terms of the related Federal grants with the remainder applied to funds provided by localities and the Commonwealth. The current year presents the balances of loan programs outstanding on the SEFA as of the first day of the year.

Note 2: Major Programs

The (*) to the right of CFDA number identifies the grant as a major federal program as defined by 2 CFR part 200.

Note 3: Program Costs

The amounts shown as current year expenditures represent only the federal portion of the actual program costs. Actual program costs, including Virginia Supportive Housing's portion, may be more than shown.

Note 4: Indirect Cost Allocation

The Corporation has not elected to use the 10-percent de minimus indirect cost rate as allowed under Uniform Guidance.

Note 5: Pass Thru Grant Numbers

Grant pass-thru identification numbers have not been included as required by Uniform Guidance due to the primary grantees failure to provide acceptable identifiers

Note 6: Loans Outstanding

The Corporation had the following loan balances outstanding as of December 31, 2017.

<u>Program</u>	<u>CFDA</u>	<u>Amount Outstanding</u>
HOME Loans	14.239	\$ 5,807,000
Section 811 Loan	14.181	1,820,700

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued:

Unmodified

Internal control over financial reporting:

* Material weakness(es) identified?

yes no

* Significant deficiency(ies) identified that are not considered to be material weakness(es)?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified?

yes no

* Significant deficiency(ies) identified that are not considered to be material weakness(es)?

yes 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 2 CFR part 200.

yes no

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.239	Home Investment Partnerships Program
14.218	Community Development Block Grant
64.033	Supportive Services for Veterans Families

Dollar threshold used to distinguish
between type A and B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X yes ___ no

Section II - Financial Statement Findings

There were no financial statement findings

Section III - Federal Awards Findings and Questioned Costs

Finding No. 2017-001: Continuum of Care Program- Allowable Costs

CONDITION

HUD reviewed the organization's financial voucher supporting documentation and found that fuel receipts from the previous grant term were reimbursed incorrectly with funds from the subsequent grant which is the grant under review. Fuel expenses amount to \$53.

CRITERIA

The grantee is not in compliance with 24 CFR 578.99(e), "Applicability of uniform administrative requirements, cost principles, and audit requirements for Federal awards, "which invokes uniform Federal requirements at 2 CFR 200. Specifically, 2 CFR 200.405(a)(l) states that a cost is allocable to a particular Federal grant if the cost was incurred specifically for the Federal award.

QUESTIONED COSTS

The amount of questioned costs was \$53.

CONTEXT

The grantee did not adhere to its CoC application and to the underlying regulations regarding what costs could be covered by the subject grant.

EFFECT

The grantee reimbursed non-allocable, unauthorized costs, there by changing the nature of the subject grant and reducing funding available for activities approved in its application.

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Section III - Federal Awards Findings and Questioned Costs (Continued)

Finding No. 2017-001: Continuum of Care Program- Allowable Costs (Cont)

<u>CAUSE</u>	The grantee did not adhere to its CoC application and to the underlying regulations regarding what costs could be covered by the subject grant.
<u>RECOMMENDATION</u>	The management agent should implement greater oversight over the program. The grantee must repay funds to the U.S. Treasury in the amount of \$53 for the ineligible expenditures.

Finding No. 2017-002: Continuum of Care Program- HQS Standards

<u>CONDITION</u>	Inspection of one unit revealed that the unit failed to meet the HQS standards. HUD observed chipped paint on the second-floor exterior window frame.
<u>CRITERIA</u>	As required by 24 CFR 578.75(b) Housing Quality Standards.
<u>QUESTIONED COSTS</u>	No Questioned Costs.
<u>CONTEXT</u>	The grantee did not adequately conduct unit inspections and implement procedures and controls to ensure that program units met housing quality standards pursuant to 24 CFR 578.75(b).
<u>EFFECT</u>	The Program Participant' unit was HQS non-compliant, and due to its deficiencies, it threatens the health, safety, and welfare of its occupancies.
<u>CAUSE</u>	Although, there was evidence on file that a state HQS was conducted, staff did not adequately conduct unit inspections and implement procedures and controls to ensure that program units met housing quality standards pursuant to 24 CFR 578.75(b).
<u>RECOMMENDATION</u>	(1) Identify and procure a certified inspector trained in visual assessments for deteriorated paint surfaces and defected units; (2) have the inspector conduct a visual assessment of all painted surfaces in-order to identify any deteriorated paint; (3) Stabilize each deteriorated paint surface in accordance with Part 35.1330(a) and (b); (4) Paint stabilization must be performed by individuals with Renovation Repair and Paint (RRP) training. Submit copies of training certificates; (5) Conduct a clearance examination in accordance with part 35.1340; (6) Provide a notice to occupants in accordance with Part 35. I 25(b) (1) and (c) describing the results of the clearance examination; and (7) Scope for work must include the front door frame, windows, and any other interior chipped off painted areas.

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Section III - Federal Awards Findings and Questioned Costs (Continued)

Finding No. 2017-003: Continuum of Care Program- Cash Management

<u>CONDITION</u>	HUD reviewed the organization's financial voucher supporting documentation and found that overpayments were made to the following utility companies: Dominion Power Electric and Columbia Gas of Virginia, for statements reflecting a "\$0.00 amount due." The overpayment submission totaled in the amount of \$2,008 and were reimbursed through the grant. Most of the bill statements were listed as having a credit balance with a "\$0.00 amount due".
<u>CRITERIA</u>	The grantee is not in compliance with 24 CFR 578.99(e), "Applicability of uniform administrative requirements, cost principles, and audit requirements for Federal awards," which invokes uniform Federal requirements at 2 CFR 200. Specifically, 2 CFR 200.405(a)(l) states that a cost is allocable to a particular Federal grant if the cost was incurred specifically for the Federal award.
<u>QUESTIONED COSTS</u>	\$2,008
<u>CONTEXT</u>	The grantee inappropriately drew down unqualified reimbursements and failed to implement procedures and controls to ensure that the program was in compliance with 24 CFR 578.99(e), "Applicability of uniform administrative requirements, cost principles, and audit requirements for Federal awards,"
<u>EFFECT</u>	The grantee reimbursed non-allocable, unauthorized costs, thereby changing the nature of the subject grant and reducing funding available for activities approved in its application.
<u>CAUSE</u>	The grantee did not adhere to its CoC application and to the underlying regulations regarding what utility costs could be covered by the subject grant.
<u>RECOMMENDATION</u>	The grantee must repay funds to the U.S. Treasury in the amount of \$2,008 for the ineligible expenditures.

Finding No. 2017-004: Continuum of Care Program- HQS Standards

<u>CONDITION</u>	HUD reviewed files associated with VSH's HQS reviews that are conducted prior to tenants occupying assisted units. HUD found that VSH used a non HUD format that did not include all aspects of HUD's HQS checklist.
<u>CRITERIA</u>	The grantee is not in compliance with 24 CFR § 578.75(b)(1), which states that the grantee must ensure that each unit meets HQS before any assistance is provided on behalf of a program.
<u>QUESTIONED COSTS</u>	No Questioned Costs.

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Section III - Federal Awards Findings and Questioned Costs (Continued)

Finding No. 2017-004: Continuum of Care Program- HQS Standards (Cont)

<u>CONTEXT</u>	The grantee failed to fully document compliance with 24 CFR § 578.75(b)(1), which states that the grantee must ensure that each unit meets HQS before any assistance is provided on behalf of a program.
<u>EFFECT</u>	Without inspecting units against all required HQS elements, HUD cannot be fully confident that such units met HQS at the time of initial inspection.
<u>CAUSE</u>	The grantee utilized a non-HUD inspection form that had many but not all components of the required HQS inspection.
<u>RECOMMENDATION</u>	The Grantee should provide a written statement indicating usage of HUD's HQS form or equivalent is underway. If a non-HUD equivalent form will be used moving forward, please provide a copy of such form for HUD's file.

Finding No. 2017-005: Continuum of Care Program- Allowable Costs

<u>CONDITION</u>	HUD reviewed the organization's financial voucher supporting documentation against its approved budget and found that while \$1,120 was approved in its application budget (no budget amendments were approved for this particular grant) several thousand dollars above this were actually expended for the cost. While the costs were eligible, they were not allowable until approved.
<u>CRITERIA</u>	The grantee is not in compliance with 24 CFR § 578.105(which states that the grantee must fully document any changes to an approved grant in its records.
<u>QUESTIONED COSTS</u>	No Questioned Costs.
<u>CONTEXT</u>	The Grantee made a non-significant budgetary change without notifying HUD.
<u>EFFECT</u>	When funds are expend differently than as reflected on the grant agreement, amendment, or the approved application, HUD does not have on file an accurate representation of a grant's budget.
<u>CAUSE</u>	Although the increase in food and supplies did not constitute a significant change necessitating a grant amendment, the grantee nonetheless did not contact HUD to request and document the grant changes.
<u>RECOMMENDATION</u>	The Grantee should provide a written statement about how VSH will keep HUD in the loop regarding significant and non significant budgetary changes and other program changes.

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Finding No. 2017-006: Supportive Services for Veterans Families - Special Provisions

<u>CONDITION</u>	During the review of the Supportive Services for Veterans Families (SSVF) participant files four files selected from a statistically valid sample of forty files were determined to be missing required documentation. Three files were missing recertification's; three files were missing program exit documentation; and one file was missing substantial required documentation. All four deficient files were managed by a third party contractor.
<u>CRITERIA</u>	SSVF program Grantees are required to maintain participant documentation as outlined by the SSVF Program guide.
<u>QUESTIONED COSTS</u>	No Questioned Costs.
<u>CONTEXT</u>	The Grantee manages a large SSVF service area and in one location utilizes a third party non-profit contractor to manage the participants and their records. All files managed by VSH personal were in compliance with SSVF guidelines. VSH failed to provide sufficient oversight of the program contractor in one location resulting in the noted deficiencies.
<u>EFFECT</u>	Failing to maintain complete and accurate compliance records can lead to failing to best manage participants supportive services.
<u>CAUSE</u>	VSH failed to maintain adequate supervision over one third party contractor providing case management services for the SSVF program leading to four case files documentation deficiencies.
<u>RECOMMENDATION</u>	VSH should establishing additional oversight and quality control testing procedures to ensure all program participants records are kept in accordance with SSVF program requirements.

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

CORRECTIVE ACTION PLANS

<u>FINDING NUMBER</u>	Finding No. 2017-001: Continuum of Care Program- Allowable Costs
<u>FISCAL YEAR</u>	2017
<u>FINDING</u>	HUD reviewed the organization's financial voucher supporting documentation and found that fuel receipts from the previous grant term were reimbursed incorrectly with funds from the subsequent grant which is the grant under review. Fuel expenses amount to \$53.
<u>STATUS</u>	Corrective Action Completed
<u>CORRECTIVE ACTION</u>	The grantee repaid funds to the U.S. Treasury in the amount of \$53 for the ineligible expenditures.
<u>COMPLETION DATE</u>	July 17, 2017
<u>AUDITEE CONTACT</u>	Carter Dages Director of Finance (804) 314-7870
<u>FINDING NUMBER</u>	Finding No. 2017-002: Continuum of Care Program- HQS Standards
<u>FISCAL YEAR</u>	2017
<u>FINDING</u>	Inspection of one unit revealed that the unit failed to meet the HQS standards. HUD observed chipped paint on the second-floor exterior window frame.
<u>STATUS</u>	Corrective Action Completed
<u>CORRECTIVE ACTION</u>	We have notified the landlord of the chipped paint for repair. In compliance with the lead-based paint visual assessment, we noted that there is no child under six living with the program participant, so "no visual assessment is required". Our Housing Specialist, who conducts HQS inspections, has completed the lead-based paint visual assessment training and will complete such assessments to file in the program participants' records from this point forward.
<u>COMPLETION DATE</u>	July 17, 2017
<u>AUDITEE CONTACT</u>	Carter Dages Director of Finance (804) 314-7870

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

CORRECTIVE ACTION PLANS - (CONT.)

<u>FINDING NUMBER</u>	Finding No. 2017-003: Continuum of Care Program- Cash Management
<u>FISCAL YEAR</u>	2017
<u>FINDING</u>	HUD reviewed the organization's financial voucher supporting documentation and found that overpayments were made to the following utility companies: Dominion Power Electric and Columbia Gas of Virginia, for statements reflecting a "\$0.00 amount due." The overpayment submission totaled in the amount of \$2,008 and were reimbursed through the grant. Most of the bill statements were listed as having a credit balance with a "\$0.00 amount due".
<u>STATUS</u>	Corrective Action Completed
<u>CORRECTIVE ACTION</u>	The grantee repaid funds to the U.S. Treasury in the amount of \$2,008 for the ineligible expenditures.
<u>COMPLETION DATE</u>	July 17, 2017
<u>AUDITEE CONTACT</u>	Carter Dages Director of Finance (804) 314-7870
<u>FINDING NUMBER</u>	Finding No. 2017-004: Continuum of Care Program- HQS Standards
<u>FISCAL YEAR</u>	2017
<u>FINDING</u>	HUD reviewed files associated with VSH's HQS reviews that are conducted prior to tenants occupying assisted units. HUD found that VSH used a non HUD format that did not include all aspects of HUD's HQS checklist.
<u>STATUS</u>	Corrective Action Completed
<u>CORRECTIVE ACTION</u>	The Organization communicated with the entire Housing First team to include the Housing Specialist who conducts HQS inspections to immediately begin usage of HUD's HQS form effective May 25, 2017.
<u>COMPLETION DATE</u>	March 25, 2017
<u>AUDITEE CONTACT</u>	Carter Dages Director of Finance (804) 314-7870

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

CORRECTIVE ACTION PLANS - (CONT.)

<u>FINDING NUMBER</u>	Finding No. 2017-005: Continuum of Care Program- Allowable Costs
<u>FISCAL YEAR</u>	2017
<u>FINDING</u>	HUD reviewed the organization's financial voucher supporting documentation against its approved budget and found that while \$1,120 was approved in its application budget (no budget amendments were approved for this particular grant) several thousand dollars above this were actually expended for the cost. While the costs were eligible, they were not allowable until approved.
<u>STATUS</u>	Corrective Action Completed
<u>CORRECTIVE ACTION</u>	The Organization will keep HUD in the loop regarding significant and non-significant budgetary changes and other program changes effectively immediately and moving forward to ensure that HUD has an accurate representation of the grant's budget on file. We have also adjusted our transaction detail forms to summarize the specific category within each budget line item on a per draw basis which provides up to date budget information with every draw.
<u>COMPLETION DATE</u>	March 27, 2017
<u>AUDITEE CONTACT</u>	Carter Dages Director of Finance (804) 314-7870
<u>FINDING NUMBER</u>	Finding No. 2017-006: SSVF - Special Provisions
<u>FISCAL YEAR</u>	2017
<u>FINDING</u>	During the review of the SSVF participant files four files selected from a statistically valid sample of forty files were determined to be missing required documentation. Three files were missing recertification's; three files were missing program exit documentation; and one file was missing substantial required documentation. All four deficient files were managed by a third party contractor.
<u>STATUS</u>	Pending
<u>CORRECTIVE ACTION</u>	VSH Programs Manager and Director will address all findings with the subcontractor and immediately implement a quality assurance process that involves monthly internal audits of all subcontractor files.
<u>COMPLETION DATE</u>	Estimated June 29, 2018
<u>AUDITEE CONTACT</u>	Erica Holmes Programs Manager (804) 298-5170

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Finding No. 2016-001 - James River Apartments - Cash Management

Resolved: James River Apartments (FHA Project No. 051-HD-121), a wholly owned subsidiary of the Corporation, failed to make one months replacement reserve deposit.