

**AUDITED FINANCIAL STATEMENTS**

**VIRGINIA SUPPORTIVE HOUSING  
AND AFFILIATES**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES**

**AUDITED  
FINANCIAL STATEMENTS**

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DECEMBER 31, 2016**

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## 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, 2016, 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, 2016, 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)**

**Emphasis of Matter**

As discussed in Note 16 to the financial statements, in 2016, the entity adopted new accounting guidance ASU 2015-03. Our opinion is not modified with respect to this matter.

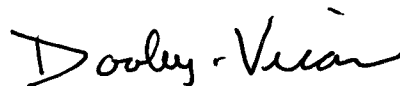
**Other Matters**

*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 29, 2017, 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 29, 2017

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**

**ASSETS**

**Current Assets**

Cash	\$ 1,000,844
Restricted	187,921
Federal Awards and Other Receivables	282,380
Prepaid Insurance and Other Expenses	222,298
Accounts Receivable	109,579
Total Current Assets	<u>1,803,022</u>

**Deposits and Funded Reserves**

Replacement Reserves	785,117
Residual Receipts	28,364
Mortgage Escrows	75,243
Operating Reserve	1,569,748
Lease Up Reserve	248,825
Tenant Security Deposits	95,405
Total Deposits and Funded Reserves	<u>2,802,702</u>

**Fixed Assets**

Site Development	582,415
Property and Equipment	
Net of Accumulated Depreciation	59,675,555
Total Fixed Assets	<u>60,257,970</u>

**Other Assets**

Investments	79,689
Deposits	3,058
Amortizable Costs (Less Amortization)	49,341
Total Other Assets	<u>132,088</u>

TOTAL ASSETS	<u>\$ 64,995,782</u>
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The accompanying notes are an integral part of these financial statements.

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**  
**(CONTINUED)**

**LIABILITIES**

**Current Liabilities**

Vendor Accounts	\$ 308,662
Payroll Liabilities	217,470
Other Liabilities	170,350
Accrued Compensated Absences	119,221
Tenant Security Deposits	90,656
Line of Credit	642,002
Prepaid Rent	47,333
Notes Payable (Current)	2,073,617
Current Maturities - Long-Term Debt	123,903
Accounts Payable - Construction	340,601
Total Current Liabilities	<u>4,133,815</u>

**Long-Term Liabilities**

Notes Payable	16,626,376
Loan Cost, Net Amortization	(160,440)
Current Maturities - Long-Term Debt	(123,903)
Total Long-Term Liabilities	<u>16,342,033</u>

**NET POSITION**

**Net Position**

Non-Ownership Equity	24,293,450
Unrestricted	20,038,563
Temporarily Restricted	107,007
Permanently Restricted	80,914
Total Net Position	<u>44,519,934</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 64,995,782</u></b>

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, 2016**

**UNRESTRICTED NET ASSETS**

Revenues	
Gain (Loss) on Sale of Property	\$ (319,989)
Unrealized Gain (Loss) on investments	3,454
Rental Income and Fees Earned	2,634,558
Developer Fees Earned	1,376,016
Government Grants	5,106,603
Investment Earnings and Other Revenue	48,669
Service Revenue	448,159
Contributions	873,980
Assets Released from Restrictions	771,451
	<u>10,942,901</u>
Expenses	
Program Services	10,373,611
Supporting Activities	1,569,956
	<u>11,943,567</u>
 Increase (Decrease) in Unrestricted Net Assets	 <u>(1,000,666)</u>

**TEMPORARILY RESTRICTED NET ASSETS**

Government Grants	700,562
Assets Released from Restriction because of Payments	<u>(771,451)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(70,889)</u>

**PERMANENTLY RESTRICTED NET ASSETS**

Contributions	<u>14,409</u>
Increase (Decrease) in Permanently Restricted Net Assets	<u>14,409</u>
 INCREASE (DECREASE) IN NET ASSETS	 (1,057,146)

Capital Contributions	3,983,847
BEGINNING NET ASSETS	<u>41,593,233</u>
 ENDING NET ASSETS	 <u>\$ 44,519,934</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, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Rental Receipts and Fees Earned	\$ 4,508,717
Developer Fees Earned	1,531,711
Contributions Received	888,389
Grants and Federal Awards Received	5,835,892
Service Revenue	448,159
Interest Received	8,156
Other Cash Received	234,288
	<u>13,455,312</u>
Administrative	2,119,397
Management Fee	338,030
Utilities	744,503
Salaries and Wages	4,438,058
Operating and Maintenance	3,755,977
Property Insurance	432,916
Real Estate Taxes	328,627
Other Expenses	9,014
Financial Expenses	204,671
Tenant Deposits Held in Trust	(11,055)
	<u>12,360,138</u>
Net Cash Provided By (Provided In) Operating Activities	<u>1,095,174</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Deposits to Reserve for Replacements	(228,094)
Deposits to Escrow Accounts	8,427
Lease Up Reserve	26,079
Notes Receivable	(2,032,512)
(Increase) Decrease in Property & Equipment	(4,941,028)
Increase in Investments	(580,026)
	<u>(7,747,154)</u>
Net Cash Provided By (Used In) Investing Activities	<u>(7,747,154)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Developer Fee Activity	(1,106,533)
Affiliate Advance	343,526
Construction Loan	1,600,000
Capital Contributions	3,983,847
Notes Payable and Lines of Credit	469,179
	<u>5,290,019</u>
Net Cash Provided By (Used In) Financing Activities	<u>5,290,019</u>
Beginning Cash	(1,361,961)
	<u>2,550,726</u>
ENDING CASH	<u>\$ 1,188,765</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, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**  
**RECONCILIATION OF OPERATING ACTIVITIES**

Increase (Decrease) in Net Assets	\$ (901,451)
Adjustments to Derive Cash Effect	
Depreciation	1,532,904
(Increase) Decrease in Operating Assets	
Accounts Receivable	26,038
Federal Awards and Other Receivables	(222)
Due to (From) Affiliates	5,504
Prepaid Insurance and Other Expenses	(207,373)
Cash Restricted for Tenant Deposits	(11,542)
Other Assets	2,323
Increase (Decrease) in Operating Liabilities	
Vendor Payable	(102,573)
Security Deposit Liability	22,900
Prepaid Rents	2,394
Other Current Liabilities	(66,299)
Accrued Expenses	21,133
Payroll Liabilities	165,704
Loss on Sale of Assets	354,085
Non-Cash Loan Forgiveness	25,000
Non-Cash Interest (Income) Expense	226,649
	<hr/>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,095,174</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, 2016**

**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., New Clay House II, 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, 2016  
(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, 2015. Fiscal years ending on or after December 31, 2013 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. There were no impairment losses recognized in 2016.

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, 2016**  
**(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 29, 2017, 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	2,718,745
Buildings	52,867,900
Furnishings and Equipment	2,041,620
Vehicles	275,589
Work in Progress	3,390,830
Accumulated Depreciation	<u>(8,621,312)</u>
	<u>\$ 60,257,970</u>

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(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 79% of the common stock of South Richmond Corporation, and 100% 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 VSH-New Clay House, L.L.C. which is a 99% limited partner of New Clay House. 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% interest in New Clay House II, L.L.C.

**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 2016. In addition the Corporation may make an elective match of the lesser of 1% of gross income or 50% of the employees contribution. During 2016, 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, 2016**  
**(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, 2016, Virginia Supportive Housing and affiliates had deposits in excess of FDIC limits in an amount of \$545,734.

**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 five year lease for office space in Richmond, Virginia commencing April 1, 2012 and ending on March 31, 2017. During 2016, VSH paid \$146,325 in lease payments.

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.

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 2016, VSH paid \$35,373 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 2016, VSH paid \$4,800 in lease payments. This lease has been extended on a month to month basis.

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

	<u>Richmond</u>	<u>Norfolk</u>	<u>Petersburg</u>	<u>Total</u>
2017	\$ 80,639	\$ 2,991	\$ 4,800	\$ 88,430
2018	100,802	-	-	100,802
2019	103,826	-	-	103,826
2020	106,826	-	-	106,826
2021	110,149	-	-	110,149

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

**Note 8: Notes Payable**

At December 31, 2016, 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
Crescent Square, L.L.C. - VHDA Loan	2,400,000
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	354,156
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	1,462,628
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 2	185,000
Gosnold Apartments, L.L.C. - The City of Virginia Beach - CDBG	199,681
Gosnold Apartments, L.L.C. - The City of Virginia Beach - Home	55,000
Gosnold Apartments, L.L.C. - DHCD Loan	718,130
Chestnut Hill, L.L.C. - DHCD Note	112,000
Chestnut Hill, L.L.C. - City Home Funds	78,480
New Clay House II, L.P. - LISC Construction Loan *	1,600,000
New Clay House II, L.P. - CSH Predevelopment Loan *	408,297
New Clay House II, L.P. - VHDA Predevelopment Note	50,000
New Clay House II, L.P. - DHCD Loan *	65,320
Cloverleaf Apartments, L.L.C. - VHDA Note	338,333
Cloverleaf Apartments, L.L.C. - DHCD Note	500,000
The Crossings at Fourth and Preston, L.L.C. - The City of Charlottesville	1,944,346
The Crossings at Fourth and Preston, L.L.C. - VHDA Loan	788,307
The Crossings at Fourth and Preston, L.L.C. - DHCD Loan	700,000
The Crossings at Fourth and Preston, L.L.C. - KIG Financing	32,357
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	(160,440)
Less: Current Maturities	(123,903)
Total	<u>\$ 18,415,650</u>



**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

**Note 8: Notes Payable (Continued)**

The (\*) indicates that the note has a maturity of less than twelve months. As of December, 31 2016, the total of short-term notes was \$2,073,617.

VSH/Studios II, L.L.C. - During 2016, VSH entered into a pass thru note with the City of Richmond, Virginia for \$181,763. 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 note 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 note bears no interest, with interest waived, not forgiven. The loan is due July 2031.

Crescent Square, L.L.C. - Entered into a construction loan with Branch Banking & Trust during 2014. This loan is due December 30, 2016 and has an interest rate of 3.4187%. During 2016 this loan was fully repaid.

Crescent Square, L.L.C. - VHDA Loan - This is a mortgage payable for \$2,400,000. 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 \$354,156. 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.

Church Street Station Studios, L.L.C. - Entered into a predevelopment loan with Corporation for Supportive Housing (CSH) in the original amount of \$500,000. The note bears interest at 6% per annum and is due September 2016. During 2016 this loan was fully repaid.

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(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 March 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 balance at December 31, 2016 is \$501,000.

FIND, Inc. - DHCD Note 1 has an interest rate of 0.0% and the total principal is due July 2015. During 2016 the loan was fully repaid.

FIND, Inc. - DHCD Note 2 has an interest rate of 0.0% and the total principal is due February 2018.

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.

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

**Note 8: Notes Payable (Continued)**

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, L.P. - VHDA Note is payable in monthly installments of \$883, including interest at 4.0%. During 2016, the loan was fully repaid.

New Clay House, L.P. - VHDA Note is payable in monthly installments of \$1,333, including interest at 3.0%. Total principal is due April 2031. During 2016, the loan was fully repaid.

New Clay House, L.P. - Virginia Housing Partnership Revolving Fund #1 carries no interest and is due April 2031. During 2016, the loan was fully repaid.

New Clay House II, L.P. - LISC construction loan is payable the earlier of December 2017, or \* obtaining permanent financing. The note accrues interest at 4% per annum and is payable monthly.

\* New Clay House II, L.P. - CSH Predevelopment Note is payable the earlier of December 2017, or obtaining permanent financing. The note accrues interest at 6% per annum and paid at maturity.

New Clay House II, L.P. - VHDA Predevelopment Note is payable the earlier of August 2018, or obtaining permanent financing. The note accrues interest at 1% per annum unless permanent financing is obtained through VHDA, upon which all interest is waived.

\* New Clay House II, L.P. - DHCD Predevelopment Note is payable upon obtaining permanent financing. The note does not accrue interest.

Cloverleaf Apartments, L.L.C. - VHDA Note - The Company has a mortgage payable with VHDA, and is in the original amount of \$435,000 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.

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

**Note 8: Notes Payable (Continued)**

The Crossings at Fourth and Preston, L.L.C. - VHDA Loan - This is a mortgage payable for \$900,000. 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.

The Crossings at Fourth and Preston, L.L.C. - During 2016 the Company procured a new environmental impact insurance policy from Keystone Insurers Group (KIG). The policy has an effective coverage period of five years beginning April 2016. The total policy premium was \$61,797, of which the Company financed \$46,224 bearing 5.08% per annum. The financing agreement requires monthly payments of \$1,644 per month of principal and interest. At December 31, 2016, \$32,357 remained outstanding. Payments over the next two years are as follows; 2017 \$18,479; 2018 \$13,878.

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 \$500,000. 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:

2017	\$ 123,903
2018	310,345
2019	112,290
2020	113,128
2021	113,975

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(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 money 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%	\$ 4,681	\$ 104,681
Crescent Square, L.L.C.	1,236,000	2.74%	64,497	1,300,497
Crescent Square, L.L.C.	659,419	2.74%	28,594	688,013
Crescent Square, L.L.C.	357,543	0.00%	-	357,543
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%	5,020	371,416
Studios II, L.L.C.	471,480	2.74%	26,191	497,671
Church Street Station Studios	160,000	0.00%	-	160,000
New Clay House II, L.L.C.	355,000	0.00%	-	355,000
Cloverleaf Apartments, L.L.C.	750,000	4.75%	329,531	1,079,531
Cloverleaf Apartments, L.L.C.	60,000	0.01%	546	60,546
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%	14,320	372,320
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%	2,913	122,913
Less: Allowance for Accrued Interest				(330,077)
				<u>\$ 15,302,314</u>

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

**Note 10: Line of Credit**

At December 31, 2016, Virginia Supportive Housing has the following lines of credit available:

<u>Bank</u>	<u>Balance</u>	<u>Terms</u>
Wells Fargo Bank	\$ 42,002	Limit of \$100,000. Interest rate of bank prime rate plus 6.25%. Interest and principal payments of \$2,364 are due monthly.
Virginia Community Capital	350,000	Limit of \$350,000. Interest rate of bank prime rate plus 1%. As of December 31, 2016, the interest rate was 4.25%. 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.
	<u>\$ 642,002</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, 2016.

Total Replacement Reserves	\$ 785,117
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**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, 2016, the escrow account maintained by VHDA is as follows:

Total Mortgage Escrows	\$ 75,243
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**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

**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, 2016.

Total Operating Reserves	\$ 1,569,748
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**Note 14: Endowment**

As of December 31, 2016, the Corporation has received permanently restricted contributions in the amount of \$80,914. During 2016 the Corporation entered into a permanent endowment management contract with The Community Foundation (TCF).

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

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

**Note 14: Endowment (Continued)**

	Held By		Total
	VSH	TCF	
Beginning Balance	\$ 12,395	\$ 64,495	\$ 76,890
Contributions	1,932	-	1,932
Transfers	(12,477)	12,477	-
Service Fees	-	(737)	(737)
Unrealized Gain (Loss)	-	3,454	3,454
Ending Balance	<u>\$ 1,850</u>	<u>\$ 79,689</u>	<u>\$ 81,539</u>

Held By	Temporarily		Restricted	Total
	Unrestricted	Restricted		
VSH	\$ -	\$ -	\$ 1,850	\$ 1,850
TCF	625	-	79,064	79,689
Total	<u>\$ 625</u>	<u>\$ -</u>	<u>\$ 80,914</u>	<u>\$ 81,539</u>

**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 2016:

12/31/2015	Earned 2016	Used 2016	12/31/2016
\$ 126,491	\$ 156,153	\$ 163,423	\$ 119,221

**Note 16: Change in Accounting Principle**

In accordance with FASB, the entity implemented *ASU 2015-03 -- Interest -- Imputation of Interest (Subtopic 835-30): Simplifying The Presentation of Debt Issuance Costs* in 2016. To simplify presentation of debt issuance costs, the amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts (previously shown as an Other Asset). The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The update also requires that the effective yield method be used to amortize financing costs over the term of the mortgage loan.



**SUPPLEMENTAL INFORMATION**

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**

<b>ASSETS</b>	Virginia Supportive Housing	Tax Credit Entities	Section 811 Properties	Other Entities	Inter-entity Eliminations	Total
<b><u>Current Assets</u></b>						
Cash	\$ 76,024	\$ 764,959	\$ 55,277	\$ 104,584	\$ -	\$ 1,000,844
Restricted	187,921	-	-	-	-	187,921
Federal Awards and Other Receivables	262,015	8,818	11,547	-	-	282,380
Due From Affiliates	439,796	48,904	25,829	119,775	(634,304)	-
Prepaid Insurance and Other Expenses	80,317	136,993	-	4,988	-	222,298
Accounts Receivable	45,745	54,701	2,230	6,903	-	109,579
<b>Total Current Assets</b>	<b>1,091,818</b>	<b>1,014,375</b>	<b>94,883</b>	<b>236,250</b>	<b>(634,304)</b>	<b>1,803,022</b>
<b><u>Deposits and Funded Reserves</u></b>						
Replacement Reserves	-	600,964	114,241	69,912	-	785,117
Residual Receipts	-	-	28,364	-	-	28,364
Mortgage Escrows	-	73,116	-	2,127	-	75,243
Operating Reserve	-	1,569,748	-	-	-	1,569,748
Other Reserve	-	248,825	-	-	-	248,825
Tenant Security Deposits	-	78,711	6,318	10,376	-	95,405
<b>Total Deposits and Funded Reserves</b>	<b>-</b>	<b>2,571,364</b>	<b>148,923</b>	<b>82,415</b>	<b>-</b>	<b>2,802,702</b>
<b><u>Fixed Assets</u></b>						
Site Development	-	-	-	582,415	-	582,415
Property and Equipment	-	-	-	-	-	-
Net of Accumulated Depreciation	88,010	53,055,890	2,569,713	3,961,942	-	59,675,555
<b>Total Fixed Assets</b>	<b>88,010</b>	<b>53,055,890</b>	<b>2,569,713</b>	<b>4,544,357</b>	<b>-</b>	<b>60,257,970</b>
<b><u>Other Assets</u></b>						
Notes Receivable	15,302,314	-	-	-	(15,302,314)	-
Investments	6,531,734	-	-	-	(6,452,045)	79,689
Deposits	3,058	-	-	-	-	3,058
Amortizable Costs (Less Amortization)	-	49,341	-	-	-	49,341
Deferred Developer Fees Receivable	722,542	-	-	-	(722,542)	-
<b>Total Other Assets</b>	<b>22,559,648</b>	<b>49,341</b>	<b>-</b>	<b>-</b>	<b>(22,476,901)</b>	<b>132,088</b>
<b>TOTAL ASSETS</b>	<b>\$ 23,739,476</b>	<b>\$ 56,690,970</b>	<b>\$ 2,813,519</b>	<b>\$ 4,863,022</b>	<b>\$ (23,111,205)</b>	<b>\$ 64,995,782</b>

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

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**  
**(CONTINUED)**

<u>LIABILITIES</u>	Virginia Supportive Housing	Tax Credit Entities	Section 811 Properties	Other Entities	Inter-entity Eliminations	Total
Vendor Accounts	\$ 87,166	\$ 78,544	\$ 26,372	\$ 116,580	\$ -	\$ 308,662
Payroll Liabilities	217,470	-	-	-	-	217,470
Other Liabilities	112,109	49,309	1,302	7,630	-	170,350
Accrued Compensated Absences	119,221	-	-	-	-	119,221
Due to Affiliates	167,415	224,628	44,214	104,332	(540,589)	-
Tenant Security Deposits	-	74,669	6,332	9,655	-	90,656
Line of Credit	642,002	-	-	-	-	642,002
Prepaid Rent	-	43,129	1,751	2,453	-	47,333
Notes Payable (Current)	-	-	-	2,073,617	-	2,073,617
Current Maturities - Long-Term Debt	-	123,903	-	-	-	123,903
Accounts Payable - Construction	-	340,601	-	-	-	340,601
Total Current Liabilities	<u>1,345,383</u>	<u>934,783</u>	<u>79,971</u>	<u>2,314,267</u>	<u>(540,589)</u>	<u>4,133,815</u>
<u>Long-Term Liabilities</u>						
Deferred Developer Fee	-	722,542	-	-	(722,542)	-
Capital Support VSH	-	-	-	1,878,151	(1,878,151)	-
Notes Payable	1,048,158	29,370,329	1,059,800	780,480	(15,632,391)	16,626,376
Loan Cost, Net Amortization	-	(160,440)	-	-	-	(160,440)
Current Maturities - Long-Term Debt	-	(123,903)	-	-	-	(123,903)
Total Long-Term Liabilities	<u>1,048,158</u>	<u>29,808,528</u>	<u>1,059,800</u>	<u>2,658,631</u>	<u>(18,233,084)</u>	<u>16,342,033</u>
<u>NET ASSETS</u>						
<u>Net Assets</u>						
Non-Ownership Equity	-	24,293,450	-	-	-	24,293,450
Unrestricted	21,158,014	1,654,209	1,673,748	(109,876)	(4,337,532)	20,038,563
Temporarily Restricted	107,007	-	-	-	-	107,007
Permanently Restricted	80,914	-	-	-	-	80,914
Total 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>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 23,739,476</u>	<u>\$ 56,690,970</u>	<u>\$ 2,813,519</u>	<u>\$ 4,863,022</u>	<u>\$ (23,111,205)</u>	<u>\$ 64,995,782</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, 2016**

	Virginia Supportive Housing	Tax Credit Entities	Section 811 Properties	Other Entities	Inter-entity Eliminations	Total
<b><u>UNRESTRICTED NET ASSETS</u></b>						
Revenues						
Gain (Loss) on Sale of Property	\$ 3,287	\$ -	\$ -	\$ (323,276)	\$ -	\$ (319,989)
Unrealized Gain (Loss) on Investments	3,454	-	-	-	-	3,454
Rental Income and Fees Earned	351,536	3,408,818	263,377	494,074	(1,883,247)	2,634,558
Developer Fees	1,531,711	-	-	-	(155,695)	1,376,016
Government Grants	4,950,377	-	112,297	43,929	-	5,106,603
Investment Earnings and Other Revenue	183,558	35,050	901	3,621	(174,461)	48,669
Medicaid Revenue	448,159	-	-	-	-	448,159
Contributions	873,980	-	-	-	-	873,980
Assets Released from Restrictions	771,451	-	-	-	-	771,451
	<u>9,117,513</u>	<u>3,443,868</u>	<u>376,575</u>	<u>218,348</u>	<u>(2,213,403)</u>	<u>10,942,901</u>
Expenses						
Program Services	6,481,274	4,893,857	409,755	646,433	(2,057,708)	10,373,611
Supporting Activities	1,569,956	-	-	-	-	1,569,956
	<u>8,051,230</u>	<u>4,893,857</u>	<u>409,755</u>	<u>646,433</u>	<u>(2,057,708)</u>	<u>11,943,567</u>
Increase (Decrease) in Unrestricted Net Assets	<u>1,066,283</u>	<u>(1,449,989)</u>	<u>(33,180)</u>	<u>(428,085)</u>	<u>(155,695)</u>	<u>(1,000,666)</u>
<b><u>TEMPORARILY RESTRICTED NET ASSETS</u></b>						
Government Grants	700,562	-	-	-	-	700,562
Assets Released from Restrictions because of Payments	(771,451)	-	-	-	-	(771,451)
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(70,889)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(70,889)</u>
<b><u>PERMANATLY RESTRICTED NET ASSETS</u></b>						
Contributions	14,409	-	-	-	-	14,409
Increase (Decrease) in Permanently Restricted Net Assets	<u>14,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,409</u>
<b><u>PERMANATLY RESTRICTED NET ASSETS</u></b>						
INCREASE (DECREASE) IN NET ASSETS	1,009,803	(1,449,989)	(33,180)	(428,085)	(155,695)	(1,057,146)
Capital Contributions	-	3,983,847	-	-	-	3,983,847
Transfers	-	-	-	(100,000)	100,000	-
BEGINNING NET ASSETS	<u>20,336,132</u>	<u>23,413,801</u>	<u>1,706,928</u>	<u>418,209</u>	<u>(4,281,837)</u>	<u>41,593,233</u>
ENDING 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>

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, 2016**

	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	\$ 104,140	\$ 183,874	\$ 957,004	\$ 409,168	\$ 178,026	\$ 72,981	\$ 381,117	\$ 360,766
Employee Benefits	21,527	26,612	123,206	50,244	10,437	3,018	57,712	65,365
Payroll Taxes	1,539	14,391	67,327	27,187	5,431	5,821	26,596	27,262
Tenant Activities	320	477	1,074	486,188	-	-	7,211	577,166
Depreciation	88,800	65,867	1,336,631	-	-	-	-	-
Insurance	14,408	27,904	189,682	825	417	1,331	2,469	3,365
Interest	-	63,164	386,163	-	128	250	-	-
Professional Services	41,433	61,198	448,823	4,310	1,796	21,647	6,243	6,489
Marketing & Advertising	235	423	4,646	773	29	70	116	872
Conference & Meetings	1,559	832	6,886	-	-	560	108	-
Meals & Travel	480	741	11,331	59,090	3,587	2,590	5,719	7,476
Rent	2,030	6,412	38,257	14,859	1,775	7,100	14,371	21,787
Repair/Maint.	49,018	62,218	381,090	-	1,023	-	171	-
Supplies/Postage	764	1,805	11,592	12,211	155	1,356	2,148	3,273
Telephone	8,365	8,005	59,004	4,606	903	-	6,267	5,336
Utilities	62,285	90,439	500,082	-	-	-	-	-
Real Estate Tax	-	16,152	285,031	-	-	-	-	-
Organizational	882	724	2,908	-	-	-	-	-
Other	11,970	15,195	83,120	828	1,475	1,051	5,202	5,826
	<u>\$ 409,755</u>	<u>\$ 646,433</u>	<u>\$ 4,893,857</u>	<u>\$ 1,070,289</u>	<u>\$ 205,182</u>	<u>\$ 117,775</u>	<u>\$ 515,450</u>	<u>\$ 1,084,983</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, 2016**

	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	\$ 349,951	\$ 389,943	\$ 53,928	\$ 234,737	\$ 86,129	\$ 660,556	\$ 345,676	\$ 4,767,996	
Employee Benefits	57,658	41,201	1,136	54,640	7,626	28,915	34,289	583,586	
Payroll Taxes	26,612	27,870	3,884	17,770	5,416	55,359	22,711	335,176	
Tenant Activities	7,542	755,014	555	23,148	1,077,969	-	16	2,936,680	
Depreciation	-	-	-	-	-	52,184	-	1,543,482	
Insurance	4,400	4,233	391	6,401	163	10,354	1,497	267,840	
Interest	-	-	-	-	-	23,490	-	473,195	
Professional Services	9,057	7,524	831	11,163	-	67,571	90,818	778,903	
Marketing & Advertising	714	1,127	13	389	41	993	13,828	24,269	
Conference & Meetings	320	-	6	32	-	1,435	346	12,084	
Meals & Travel	18,355	10,334	2,146	8,608	2,578	17,139	10,140	160,314	
Rent	29,958	50,548	5,745	37,188	-	8,353	9,991	248,374	
Repair/Maint.	24	150	6	24	-	140	-	493,864	
Supplies/Postage	3,493	2,787	195	923	951	11,036	16,560	69,249	
Telephone	6,811	11,420	979	3,637	823	14,100	925	131,181	
Utilities	-	-	-	-	-	-	-	652,806	
Real Estate Tax	-	-	-	-	-	-	-	301,183	
Organizational	-	-	-	-	-	-	-	4,514	
Other	7,642	4,737	236	7,011	752	55,992	15,542	216,579	
	<u>\$ 522,537</u>	<u>\$ 1,306,888</u>	<u>\$ 70,051</u>	<u>\$ 405,671</u>	<u>\$ 1,182,448</u>	<u>\$ 1,007,617</u>	<u>\$ 562,339</u>	<u>\$ 14,001,275</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, 2016**

	Virginia Supportive Housing	Tax Credit Entities	Section 811 Properties	Other Entities	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>					
Rental Receipts and Fees Earned	\$ 351,536	\$ 3,406,240	\$ 252,356	\$ 498,585	\$ 4,508,717
Developer Fees Earned	1,531,711	-	-	-	1,531,711
Contributions Received	888,389	-	-	-	888,389
Grants and Federal Awards Received	5,701,152	-	112,297	22,443	5,835,892
Service Revenue	448,159	-	-	-	448,159
Interest Received	-	3,852	901	3,403	8,156
Other Cash Received	183,558	29,026	-	21,704	234,288
	<u>9,104,505</u>	<u>3,439,118</u>	<u>365,554</u>	<u>546,135</u>	<u>13,455,312</u>
Administrative	1,553,749	442,881	53,752	69,015	2,119,397
Management Fee	-	267,061	30,248	40,721	338,030
Utilities	-	502,129	58,499	183,875	744,503
Salaries & Wages	3,357,274	878,149	101,682	100,953	4,438,058
Operating and Maintenance	3,091,895	467,120	58,402	138,560	3,755,977
Property Insurance	101,681	298,890	16,193	16,152	432,916
Real Estate Taxes	-	296,997	505	31,125	328,627
Other Expenses	-	8,267	747	-	9,014
Financial Expenses	23,868	167,559	29	13,215	204,671
Tenant Deposits Held in Trust	-	(8,907)	13	(2,161)	(11,055)
	<u>8,128,467</u>	<u>3,320,146</u>	<u>320,070</u>	<u>591,455</u>	<u>12,360,138</u>
Net Cash Provided by (Used in) Operating Activities	976,038	118,972	45,484	(45,320)	1,095,174
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>					
Deposits to Reserve for Replacements	-	(240,197)	(33,271)	45,374	(228,094)
Deposits to Escrow Accounts	-	-	-	8,427	8,427
Deposits to Development-Held Reserve	-	(314)	-	26,393	26,079
Notes Receivable	(2,032,512)	-	-	-	(2,032,512)
(Increase) Decrease in Property & Equipment	173,655	(3,671,817)	-	(1,442,866)	(4,941,028)
Increase in Investments	84,806	(82,417)	-	(582,415)	(580,026)
	<u>(1,774,051)</u>	<u>(3,994,745)</u>	<u>(33,271)</u>	<u>(1,945,087)</u>	<u>(7,747,154)</u>
Net Cash Provided by (Used in) Investing Activities	(1,774,051)	(3,994,745)	(33,271)	(1,945,087)	(7,747,154)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>					
Developer Fee Activity	(426,276)	(680,257)	-	-	(1,106,533)
Affiliate Advance	-	10,000	-	333,526	343,526
Construction Loan	-	-	-	1,600,000	1,600,000
Capital Contributions	-	3,983,847	-	-	3,983,847
Notes Payable and Lines of Credit	1,110,068	(783,776)	-	142,887	469,179
	<u>683,792</u>	<u>2,529,814</u>	<u>-</u>	<u>2,076,413</u>	<u>5,290,019</u>
Net Cash Provided by (Used in) Financing Activities	683,792	2,529,814	-	2,076,413	5,290,019
Increase (Decrease) in Cash	(114,221)	(1,345,959)	12,213	86,006	(1,361,961)
Beginning Cash	378,166	2,110,918	43,064	18,578	2,550,726
ENDING CASH	<u>\$ 263,945</u>	<u>\$ 764,959</u>	<u>\$ 55,277</u>	<u>\$ 104,584</u>	<u>\$ 1,188,765</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, 2016**

	Virginia Supportive Housing	Tax Credit Entities	Section 811 Properties	Other Entities	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>					
<b><u>RECONCILIATION OF OPERATING ACTIVITIES</u></b>					
Increase (Decrease) in Net Assets	\$ 1,009,803	\$ (1,449,989)	\$ (33,180)	\$ (428,085)	\$ (901,451)
Adjustments to Derive Cash Effect					
Depreciation	52,184	1,326,054	88,799	65,867	1,532,904
(Increase) Decrease in Operating Assets					
Accounts Receivable	32,007	(14,766)	608	8,189	26,038
Federal Awards and Other Receivables	18,206	(6,881)	(11,547)	-	(222)
Due to (From) Affiliates	(11,598)	196,059	(13,283)	(165,674)	5,504
Prepaid Insurance and Other Expenses	(65,835)	(148,598)	-	7,060	(207,373)
Cash Restricted for Tenant Deposits	-	(15,116)	640	2,934	(11,542)
Other Assets	2,195	-	-	128	2,323
Increase (Decrease) in Operating Liabilities					
Vendor Payable	(155,548)	(48,696)	12,880	88,791	(102,573)
Security Deposit Liability	-	24,023	(653)	(470)	22,900
Prepaid Rents	-	5,130	(82)	(2,654)	2,394
Other Current Liabilities	(71,080)	5,272	-	(491)	(66,299)
Accrued Expenses	-	19,831	1,302	-	21,133
Payroll Liabilities	165,704	-	-	-	165,704
Non-Cash Loan Forgiveness	-	-	-	25,000	25,000
Loss on Sale of Assets	-	-	-	354,085	354,085
Non-Cash Interest (Income) Expense	-	226,649	-	-	226,649
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 976,038</b>	<b>\$ 118,972</b>	<b>\$ 45,484</b>	<b>\$ (45,320)</b>	<b>\$ 1,095,174</b>

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, 2016, 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 29, 2017.

**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 item 2016-001.

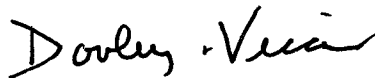
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)**

**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 29, 2017



**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, 2016. 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, 2016.

**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 item 2016-001. 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.

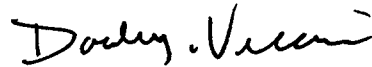
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 29, 2017

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Schedule of Expenditures of Federal Awards</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Housing and Urban Development:</u>		
Section 811 Loan	14.181	\$ 1,820,700
Continuum of Care Program	14.267*	2,149,771
Multifamily Housing Service Coordinator	14.191	50,204
Total U.S. Department of Housing and Urban Development		<u>4,020,675</u>
Pass-Through from Virginia Department of Housing and Community Development		
Home Investment Partnerships Program	14.239	<u>5,921,000</u>
		<u>5,921,000</u>
Pass-Through from City of Richmond		
Community Development Block Grant	14.218*	300,000
Continuum of Care Program	14.267*	1,178,404
Housing Opportunities for People With Aids	14.241	201,975
		<u>1,680,379</u>
Pass-Through from City of Norfolk		
Emergency Solutions Grant	14.231	18,881
Home Investment Partnerships Program	14.239	360,000
Community Development Block Grant	14.218*	20,762
		<u>399,643</u>
Pass-Through from City of Virginia Beach		
Home Investment Partnerships Program	14.239	876,000
Community Development Block Grant	14.218*	9,567
		<u>885,567</u>
Pass-Through from City of Chesapeake		
Community Development Block Grant	14.218*	12,101
		<u>12,101</u>
<u>Department of Veterans Affairs</u>		
Supportive Services for Veterans Families	64.033	\$ 1,117,014
Total Department of Veterans Affairs		<u>1,117,014</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 14,036,379</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, 2016**

**Note 1: Basis of Accounting**

The Schedule of Financial Assistance is prepared on the GAAP basis of accounting.

**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

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016  
(CONTINUED)**

Identification of major programs:

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

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. 2016-001 - James River Apartments - Cash Management**

CONDITION

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

CRITERIA

Section 811 program projects are required to deposit monthly amounts into a replacement reserve account to fund future replacement costs of the project.

QUESTIONED COSTS

The amount of questioned costs was \$449.

CONTEXT

The project did not make one of twelve monthly required replacement reserve deposits of \$449.

EFFECT

The project has not funded the projects replacement reserve account to the full amount required by the HUD regulatory agreement.

CAUSE

The overall cause was a lack of effective management oversight and quality control over this program.

RECOMMENDATION

The management agent should implement greater oversight over the section 811 cash management requirements and transfer the missing months deposit into the replacement reserve account.

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

**Corrective Action Plan**

<u>FINDING NUMBER</u>	2016-1: Cash Management
<u>FISCAL YEAR</u>	2016
<u>FINDING</u>	The project failed to make one months replacement reserve deposit to the replacement reserve account by the end of the year.
<u>STATUS</u>	Corrective action Completed
<u>CORRECTIVE ACTION</u>	The project deposited the missing \$449 replacement reserve deposit into the replacement reserve account.
<u>COMPLETION DATE</u>	March 27, 2017
<u>AUDITEE CONTACT</u>	Kim Fergusson Director of Finance (804) 788-6825

**VIRGINIA SUPPORTIVE HOUSING AND AFFILIATES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding No. 2015-001 - James River Apartments - Cash Management**

Resolved: All residual receipts were deposited during the year.