

GENESIS HOUSING SERVICES  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015



**Loveridge Hunt & Co., PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Loveridge Hunt & Co., PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Directors  
Genesis Housing Services  
Yakima, Washington

Report on Financial Statements

We have audited the accompanying financial statements of Genesis Housing Services, a Not-For-Profit Organization (the Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - (CONTINUED)

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Genesis Housing Services as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information includes:

- Form 3560-10 on pages 36 to 37 which is presented for the purpose of complying with the requirements of the U.S. Department of Agriculture, Rural Development (RD) as of December 31, 2016 and 2015.
- Actual amounts presented in Form 3560-7 and other supplementary information on pages 38 to 45 which is presented for the purpose of complying with the requirements of the U.S. Department of Agriculture, Rural Development (RD) as of and for the year ended December 31, 2016.

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.

The budget amounts presented in Form 3560-7 on pages 38 to 41 in the accompanying additional information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it. The budget amounts presented in form 3560-7 are intended solely for the information and use of the Board of Directors, management and the U.S. Department of Agriculture, Rural Development (RD) for the years ended December 31, 2016 and 2015, and are not intended to be and should not be used by anyone other than these specified parties.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - (CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 2, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance applicable to 2016.

A handwritten signature in blue ink that reads "Lorenidge Huntelob". The signature is written in a cursive style with a large initial "L".

Bellevue, Washington

June 2, 2017

GENESIS HOUSING SERVICES  
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2016	2015
<u>ASSETS</u>		
Rental property and equipment:		
Buildings and improvements	\$ 3,683,271	\$ 3,683,271
Equipment	82,493	82,493
Accumulated depreciation	<u>(1,066,806)</u>	<u>(967,294)</u>
	2,698,958	2,798,470
Construction in progress/predevelopment costs	265,095	17,421
Land, including land acquired for development	<u>318,764</u>	<u>253,764</u>
	3,282,817	3,069,655
 Cash:	 336,336	 15,961
 Restricted deposits:		
Reserve account	302,464	261,811
Tenant security deposits	<u>13,950</u>	<u>13,920</u>
	316,414	275,731
 Other assets:		
Accounts receivable	79,320	1,851
Related party receivable	1,415,168	1,363,552
Prepaid expense	5,840	5,858
Investment in LLC	<u>100</u>	<u>100</u>
	<u>1,500,428</u>	<u>1,371,361</u>
	 <u>\$ 5,435,995</u>	 <u>\$ 4,732,708</u>

Continued on page 5.

GENESIS HOUSING SERVICES

STATEMENTS OF FINANCIAL POSITION - (CONTINUED)

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Note payable - RD	\$ 208,464	\$ 216,522
Notes payable - sponsor	62,015	56,248
Notes payable - ORFH	217,364	214,364
Note payable - CRP	350,000	-
Accounts payable	6,592	8,205
Accrued interest payable	35,978	34,758
Prepaid rent	1,107	-
Related party payable	153,170	1,923
Tenant security deposits payable	<u>13,950</u>	<u>14,308</u>
	1,048,640	546,328
Net assets:		
Unrestricted net assets	3,427,750	3,226,775
Temporarily restricted net assets	<u>959,605</u>	<u>959,605</u>
	<u>4,387,355</u>	<u>4,186,380</u>
	<u>\$ 5,435,995</u>	<u>\$ 4,732,708</u>

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

GENESIS HOUSING SERVICES

STATEMENTS OF ACTIVITIES

	<u>Years Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Revenue:		
Rent, net	\$ 204,699	\$ 200,766
Interest	66,890	59,329
Grant income	-	350,000
Miscellaneous	<u>164,707</u>	<u>14,551</u>
	436,296	624,646
Expenses:		
Maintenance and operating	16,492	21,823
Utilities	59,678	58,814
Administrative	50,104	55,184
Taxes and insurance	6,335	12,415
Interest	3,200	14,707
Depreciation	<u>99,512</u>	<u>99,512</u>
	<u>235,321</u>	<u>262,455</u>
Increase in unrestricted net assets	<u>\$ 200,975</u>	<u>\$ 362,191</u>

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



GENESIS HOUSING SERVICES

STATEMENTS OF CHANGES IN NET ASSETS

Years Ended December 31, 2016 and 2015

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total Net Assets</u>
Balance - January 1, 2015	\$ 2,864,584	\$ 959,605	\$ 3,824,189
Increase in net assets	<u>362,191</u>	<u>-</u>	<u>362,191</u>
Balance - December 31, 2015	3,226,775	959,605	4,186,380
Increase in net assets	<u>200,975</u>	<u>-</u>	<u>200,975</u>
Balance - December 31, 2016	<u>\$ 3,427,750</u>	<u>\$ 959,605</u>	<u>\$ 4,387,355</u>

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

GENESIS HOUSING SERVICES

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash

	<u>Years Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 200,975	\$ 362,191
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	99,512	99,512
Amortization related to debt issuance costs	162	162
Changes in certain assets and liabilities:		
Accounts receivable	(77,469)	(134)
Prepaid expense	18	(5,858)
Accounts payable	(1,613)	1,706
Accrued interest payable	1,220	12,326
Prepaid rent	1,107	(262)
Related party payable	151,247	-
Tenant security deposits	<u>(388)</u>	<u>-</u>
Net cash provided by operating activities	374,771	469,643
Cash flows from investing activities:		
Payments for rental property and equipment, construction-in-process/predevelopment and land	(312,674)	119,624
Purchase of fixed assets	-	(2,805)
Deposits to reserve account	(42,148)	(36,303)
Withdrawals from reserve account	<u>1,495</u>	<u>2,805</u>
Net cash provided (used) by investing activities	(353,327)	83,321
Cash flows from financing activities:		
Principal payments on note payable - RD	(8,220)	(8,137)
Payments on notes payable - ORFH	-	(82,647)
Payments on notes payable - sponsor	(20,000)	(72,399)
Proceeds from notes payable - sponsor	25,767	1,325
Proceeds from notes payable - ORFH	3,000	14,364
Proceeds from notes payable - CRP	350,000	-
Advances for related party notes receivable	<u>(51,616)</u>	<u>(417,234)</u>
Net cash provided (used) by financing activities	<u>298,931</u>	<u>(564,728)</u>
Net increase (decrease) in cash	320,375	(11,764)
Cash - beginning of year	<u>15,961</u>	<u>27,725</u>
Cash - end of year	<u>\$ 336,336</u>	<u>\$ 15,961</u>

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 2,137	\$ 2,219
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The accompanying notes are an integral part of these financial statements.

## GENESIS HOUSING SERVICES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - ORGANIZATION

Genesis Housing Services (the Organization) is a 501(c)(3) nonprofit entity which was formed in 2004. Genesis Housing Services provides low and moderate income persons with housing facilities and services specially designed to meet their physical, social and psychological needs and to provide for their health, security, happiness and enhancing their contributions to the community.

The Financial Statements of the Organization include the following wholly owned property:

##### Gonzaga Townhomes

The Organization developed and operates a 26-unit apartment complex known as Gonzaga Townhomes in Toppenish, Washington. Gonzaga Townhomes was financed jointly by the U.S. Department of Agriculture Rural Development (RD); State of Washington - Department of Commerce, formerly known as the Department of Community, Trade, and Economic Development (the State); the City of Toppenish (the City); CDBG; and Federal Home Loan Bank Affordable Housing Program (FHLBAHP). Gonzaga Townhomes receives a rent subsidy from RD. During the years ended December 31, 2016 and 2015, Gonzaga Townhomes rental revenue from RD totaled \$102,774 and \$90,299, representing 50 percent and 45 percent of total revenue for Gonzaga Townhomes each year. The most recent rental assistance agreement renewed on August 1, 2013 and expires automatically upon total disbursement of credit of rental assistance to the borrower's account, unless earlier suspended, transferred or terminated; however, RD has provided notice and current RD regulations state under Subpart F, Section 3560.255 that, to the extent sufficient funds are available, RD will automatically renew expiring rental assistance agreements at the existing number of units. The units of Gonzaga Townhomes are leased to low-income agricultural workers and their families in accordance with the RD guidelines. Such programs are regulated by RD with respect to rental charges and operating methods. All inter-program transactions have been eliminated in the financial statements.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Principles of Consolidation

The Organization has elected not to present consolidated financial statements to include the activities of Carriage Court Family Housing LLC (Carriage Court) or GP Opportunity Housing LLC (GP), and Prosser Opportunity Housing LLLP (Prosser), as these entities are not controlled by the Organization, under FASB 810-20-25. Therefore, transactions of the entities are reflected in the balances of accounts and any inter-company profit or loss on assets remaining have not been eliminated. The Organization has presented these entities as component units, as disclosed in Note 8.

##### Method of Accounting

The accrual method of accounting is used for financial statement purposes.

## GENESIS HOUSING SERVICES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

##### Property and Equipment and Depreciation

Property and equipment acquisitions are stated at cost. Major expenditures for equipment that equal or exceed \$5,000 and those that substantially increase the useful lives of existing assets are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. The Organization uses the straight-line method of depreciating the cost of each asset over estimated useful lives of 5 to 40 years.

##### Construction in Progress

Construction in progress (CIP) is stated at cost and not depreciated. The assets will be transferred to building and related fixed assets once placed in service. During 2015, the Organization incurred predevelopment CIP costs on GP, Prosser and Royal City II. During 2015, net predevelopment CIP costs not funded by other sources related to GP and Prosser were re-characterized to development accounts receivable as a result of the syndication of those entities. During 2016, the Organization incurred predevelopment cost on Royal City II and the Inspire Building.

As of December 31, 2016 and 2015, CIP totaled \$265,095 and \$17,421, respectively. As of December 31, 2016 and 2015, the balance of predevelopment CIP funded by the Organization totaled \$45,938 and \$61,218, respectively.

##### Impairment

The Organization reviews its 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 including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2016 or 2015.

##### Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all investment instruments purchased with a maturity of three months or less are considered to be cash equivalents. As of December 31, 2016 and 2015, there were no cash equivalents.

##### Concentration of Credit

Management maintains the Organization's cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

## GENESIS HOUSING SERVICES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

##### Investments

As of December 31, 2016, the Organization had an investment in Carriage Court Housing, LLC (a Limited Liability Company), GP Opportunity Housing LLC (a Limited Liability Company), and Prosser Opportunity Housing LLLP (a Limited Liability Limited Partnership). The investments are recorded on the equity method. Under the equity method, the Organization recognizes its share of the Company/Partnership's net income and losses, which increases or decreases its investment. The Organization has a 0.01% ownership interest in each of these entities.

##### Net Assets

Net assets of the Organization and changes therein are classified and reported as follows:

##### Unrestricted net assets:

Net assets that are not subject to donor-imposed stipulations but are controlled and designated by the Board.

##### Temporarily restricted net assets:

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. No net assets were released from donor restrictions for the years ended December 31, 2016 and 2015. The temporarily restricted net assets include forgivable loans totaling \$959,605 for the development and construction of Gonzaga Townhomes.

The \$777,735 deferred loan obligation obtained from the Department of Commerce will be forgiven as long as Gonzaga Townhomes is maintained for its intended purpose for a period of 40 years; however, should the Organization fail to comply with the requirements of the deferred loan, the loan amount of \$777,735 must be repaid.

The \$181,870 forgivable loan from the Federal Home Loan Bank Affordable Housing Program will be forgiven after the 15 year period as long as the Organization maintains compliance with the requirements of the agreement.

Management intends to maintain the facility for its intended purpose, in accordance with the agreements. Therefore, in accordance with the Organization policies, management has recorded this amount as temporarily restricted net assets at December 31, 2016 and 2015.

## GENESIS HOUSING SERVICES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

##### Net Assets - (Continued)

###### Permanently restricted net assets:

Net assets that are subject to donor-imposed stipulations requiring they be maintained permanently by the Organization are classified as permanently restricted. Donors of these assets may permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets as of December 31, 2016 and 2015.

##### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### Revenue Recognition

The main sources of revenue are from grants and Gonzaga Townhomes rents. Grant revenue may fluctuate with economic policy and government spending. Under the loan agreement, rents charged to tenants of Gonzaga Townhomes may not be increased without prior RD approval.

##### Distributions

The loan agreement between the Organization and RD stipulates, among other things, that Gonzaga Townhomes will not make distributions of assets or income to its sponsor.

##### Income Taxes

Under provisions of Section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from federal income taxes, except for net income from unrelated business activities. As of December 31, 2016 and 2015, the Organization had no unrelated business activities subject to federal income taxes.

The Financial Accounting Standards Board issued Accounting Standards Codification Topic 740, Income Taxes (Topic 740), on accounting for uncertainty in income taxes. The Organization adopted this new guidance for the year ended December 31, 2009. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. The Organization is no longer subject to local income tax examinations by the U.S. federal, state, or local tax authorities for the years before 2013. Generally, the Organization's tax returns remain open for three years for federal income tax examination.

GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Change in Accounting Principle

Effective December 31, 2016, the Organization retrospectively adopted the provisions of ASU No. 2015-03 ("ASU 2015-03"), *Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires 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 and amortization of debt issuance costs be reported as interest expense. See Note 5 for additional information. The adoption of ASU 2015-03 did not affect the Organization's net assets, statement of activities, or cash flows for the years ended December 31, 2016 or 2015.

Debt issuance costs are amortized over the period the obligation is outstanding using the straight-line method. This does not result in a significant difference from the effective interest rate method.

Reclassification

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

Subsequent Event

Management of the Organization has evaluated events and transactions occurring after December 31, 2016 through June 2, 2017, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events and transactions that required recognition and disclosures in the financial statements, except as described in Note 9.

NOTE 3 - RESERVE ACCOUNT

The Loan Agreement between the Organization and RD for Gonzaga Townhomes requires the Organization to deposit \$35,305 annually into a separate interest-bearing reserve account for the replacement of property and other expenditures approved by RD until the account reaches \$353,045.

	<u>Actual</u>	<u>Required</u>	<u>Over (Under) Funded</u>
Beginning balance, January 1, 2015	\$ 228,313	\$ 237,365	\$ (9,052)
Deposits	36,303	36,229	74
Withdrawals	<u>(2,805)</u>	<u>(2,805)</u>	<u>-</u>
Beginning balance, December 31, 2015	\$ 261,811	\$ 270,789	\$ (8,978)
Deposits	42,148	35,305	6,843
Withdrawals	<u>(1,495)</u>	<u>(1,495)</u>	<u>-</u>
Ending Balance, December 31, 2016	<u>\$ 302,464</u>	<u>\$ 304,599</u>	<u>(2,135)</u>

During 2014, there was an unauthorized withdrawal for \$924. The replacement reserve was reimbursed for the unauthorized withdrawal in March 2015.

## GENESIS HOUSING SERVICES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 4 - RELATED PARTY TRANSACTIONS

Receivables are reported at the amount management expects to collect on the balance outstanding at December 31, 2016.

##### Asset Management Fee - Gonzaga Townhomes

The Organization is eligible to receive a cumulative asset management fee from Gonzaga Townhomes. During 2016 and 2015, the fee charged totaled \$3,940 each year. As of December 31, 2016 and 2015, the balance of the fees receivable by the Organization from Gonzaga Townhomes totaled \$27,580 and \$23,640, respectively. This inter-program transaction was eliminated in the basic financial statements.

##### Carriage Court Note Receivable - Grant Funds

The Organization was awarded Yakima County Grants in the amount of \$781,000 for the development of housing affordable to very low-income agricultural employees in Grandview, Washington (Carriage Court). The Organization entered into a promissory note with Carriage Court for \$781,000. Under the terms of the note, interest is charged at 6 percent, compounding annually. Payments of interest and principal are payable beginning April 1, 2014 from cash flow, as described in the operating agreement of Carriage Court. The note maturity date is October 31, 2054. As of December 31, 2016 and 2015, the note receivable totaled \$781,000 each year. During 2016 and 2015, interest charged on the note totaled \$56,316 and \$53,128, respectively. As of December 31, 2016 and 2015, accrued interest receivable totaled \$213,909 and \$157,593, respectively.

##### Carriage Court Note Receivable - Other

The Organization advanced funds to Carriage Court during 2012. As of December 31, 2015, the balance of the note receivable totaled \$1,655, and the balance was collected as of December 31, 2016.

##### Company Management Fee Receivable - Carriage Court

The Organization receives a company management fee from Carriage Court. During 2016 and 2015, the fee charged totaled \$13,659 and \$13,261, respectively. As of December 31, 2016 and 2015, the company management fee receivable totaled \$23,702 and \$28,548, respectively.

##### Project Receivable - GP Opportunity Housing LLC

The Organization incurred costs related to the development in Granger, Washington owned by GP Opportunity Housing LLC, in which the Organization is the Managing Member. As of December 31, 2015, the receivable totaled \$21,650. As of December 31, 2016, all receivable has been collected.

##### Company Management Fee Receivable - GP Opportunity Housing LLC

The Organization receives a company management fee from GP Opportunity Housing LLC. As of December 31, 2016, the fee charged and receivable totaled \$13,500.



## GENESIS HOUSING SERVICES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 4 - RELATED PARTY TRANSACTIONS - (CONTINUED)

##### Project Receivable - Prosser Opportunity Housing LLLP

The Organization incurred costs during 2015 related to the development in Prosser, Washington. The Organization is the sole member of Prosser Partner LLC, the General Partner of Prosser Opportunity Housing LLLP. As of December 31, 2016 and 2015, the receivable totaled \$2,152 and \$6,892, respectively.

##### Company Management Fee Receivable - Prosser Opportunity Housing LLC

The Organization receives a company management fee from Prosser Opportunity Housing LLLP. As of December 31, 2016, the fee charged and receivable totaled \$13,500.

##### Accounts Receivable from CCHS

During 2015, Carriage Court paid fees to CCHS that should have been made in priority to the Organization. As of December 31, 2015, the resulting receivable from CCHS totaled \$10,088. During 2016, the receivable was collected in full.

##### Prosser Opportunity Housing LLLP Note Receivable - Benton/Franklin County

The Organization received funds totaling \$350,000 from the Office of Benton and Franklin Counties during 2015 for the purpose of funding development costs for Prosser Opportunity Housing LLLP. On May 5, 2015, the Organization advanced the funds to Prosser Opportunity Housing. The note bears the interest at a rate of 3 percent, and matures on December 31, 2056. The partnership is to make payments of principal and interest to the Organization beginning April 1, 2016. As of December 31, 2016 and 2015, the balance of the note receivable totaled \$350,000 each year. As of December 31, 2016 and 2015, the balance of the interest receivable totaled \$17,404 and \$6,125, respectively.

##### Investor Capital Payable to GP Opportunity Housing LLC

During 2016, the investor member of GP Opportunity Housing LLC deposited a portion of its capital contributions intended for the LLC to the Organization. As of December 31, 2016, the contributions payable to the LLC totaled \$114,775. The balance is included in related party payables.

##### Developer Fee Payable to CCHS

As of December 31, 2016, the Organization held funds totaling \$114,775 on behalf of GP Opportunity Housing LLC to pay the developer fee payable to CCHS, the Sponsor. The balance is included in related party payables.

GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - NOTES PAYABLE

Substantially all of the rental property and equipment is pledged as collateral on the notes and no individual is liable on the notes, except as noted. As of December 31, 2016 and 2015, it is not practicable to make a reasonable estimate of fair value for the notes payable.

The notes payable, originally cumulatively stated at December 31, 2015, totaled \$488,108 and have been re-presented to \$487,134 to reflect \$974 of unamortized issuance costs previously included in net unamortized loan fees.

As of December 31, 2016 and 2015, notes payable consist of the following:

	<u>2016</u>	<u>2015</u>
U.S. Department of Agriculture Rural Development (RD) (Gonzaga Townhomes)	\$ 209,276	\$ 217,496
Catholic Charities Housing Services - Diocese of Yakima (Gonzaga Townhomes)	46,618	31,451
Catholic Charities Housing Services - Diocese of Yakima (Royal City II)	15,397	4,797
Catholic Charities Housing Services - Diocese of Yakima (GP)	-	20,000
Impact Capital (Royal City II)	150,000	150,000
ORFH (Royal City II)	67,364	64,364
CRP (Inspire Building)	<u>350,000</u>	<u>-</u>
	838,655	488,108
Less: Unamortized debt issuance costs	<u>(812)</u>	<u>(974)</u>
	<u>\$ 837,843</u>	<u>\$ 487,134</u>

U.S. Department of Agriculture Rural Development (RD) - Gonzaga Townhomes

Substantially all of the rental property and equipment is pledged as collateral on the note. The note is payable to RD in monthly installments of \$863 through June 2039. The note bears interest at a rate of 1 percent.

CCHS - Gonzaga Townhomes

The Organization executed notes payable to Catholic Charities Housing Services - Diocese of Yakima (CCHS), the sponsor. The first note is unsecured and forgivable, bears interest at a rate of 3 percent and matures on May 28, 2020. As of December 31, 2016 and 2015, note payable totaled \$46,618 and \$31,451, respectively. As of December 31, 2016 and 2015, accrued interest on the note totaled \$9,680 and \$8,779, respectively. The second note bears no interest, was secured by a deed of trust, and was repaid in 2015.

## GENESIS HOUSING SERVICES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 5 - NOTES PAYABLE - (CONTINUED)

##### CCHS Predevelopment Notes Payable - GP Opportunity Housing

During 2014, the Organization executed notes payable to CCHS, the sponsor, totaling \$39,797 for purpose of financing certain predevelopment costs of GP Opportunity Housing in Granger, Washington. The notes were secured by deed of trust and bear interest at a rate of 5 percent. As of December 31, 2015, principal and accrued interest on the notes totaled \$20,000 and \$3,204, respectively. During 2016, the notes and interest payable was paid in full.

##### CCHS Predevelopment Notes Payable - Prosser Opportunity Housing

During 2014, the Organization executed notes payable to CCHS, the sponsor, totaling \$48,336 for purpose of financing certain predevelopment costs of Prosser Opportunity Housing in Prosser, Washington. The notes are secured by deed of trust, each bear interest at a rate of 4.5 or 5 percent. During 2015, the notes and interest payable was paid in full.

##### CCHS Predevelopment Notes Payable - Royal City II

During 2016, 2015 and 2014, the Organization executed notes payable to CCHS, the sponsor, totaling \$10,600, \$1,326, and \$3,471, respectively for purpose of financing certain predevelopment costs. The notes are secured by deed of trust, bear interest at a rate of 5 percent, compounded quarterly, and mature the earlier of the date that the project is financed and construction draws begin or one year from the date of each note, but the lender has indicated that it will not call the notes until the project is financed and construction draws begin. As of December 31, 2016 and 2015, notes payable totaled \$15,397 and \$4,797, respectively. As of December 31, 2016 and 2015, accrued interest on the notes totaled \$735 and \$284, respectively.

##### Office of Rural and Farmworker Housing - GP Opportunity Housing

During 2015, the Organization entered into a loan agreement in the amount of \$25,782 ORFH for the development of housing affordable to very low-income agricultural employees in Granger, Washington. The note was advanced and repaid in full during 2015.

##### Office of Rural and Farmworker Housing - Prosser Opportunity Housing

During 2014, the Organization entered into a loan agreement in the amount of \$82,647 with the Office of Rural and Farmworker Housing (ORFH) for the development of housing affordable to very low-income agricultural employees in Prosser, Washington. The note was paid in full in 2015.

##### Office of Rural and Farmworker Housing - Royal City II

During 2012 through 2016, the Organization entered into loan agreements with ORFH, the subordinate lender. As of December 31, 2016 and 2015, the loans outstanding totaled \$67,364 and \$64,364, respectively. The funds were advanced for the development of housing affordable to very low-income agricultural employees. Interest accrues at 3.5 percent and is compounded quarterly. The loans are secured by deeds of trust and mature once the development receives financing. As of December 31, 2016 and 2015, accrued interest on the notes totaled \$8,059 and \$4,432, respectively.

GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - NOTES PAYABLE - (CONTINUED)

Impact Capital - Royal City II

During 2013, the Organization entered into a loan agreement in the amount of \$150,000 with Impact Capital, the senior lender, for the development of housing affordable to very low-income agricultural employees. Interest accrues at 3.5 percent and is compounded quarterly. The loan is secured by a deed of trust and matures December 31, 2015, unless extended under the terms of the loan. During 2016 the loan was extended until December 31, 2017. As of December 31, 2016 and 2015, the loan payable totaled \$150,000, each year. As of December 31, 2016 and 2015, accrued interest on the note totaled \$17,505 and \$11,768, respectively.

Inspire Building Predevelopment Notes Payable - CRP

During 2016, the Organization executed a note payable to Diocese of Yakima Capital Revolving Program, totaling \$350,000 for purpose of financing the Inspire Building, a commercial office building that will serve non-profit agencies affiliated with the Organization. The note is secured by deed of trust, bears interest at a rate of 4 percent per annum and matures on December 15, 2026. As of December 31, 2016, note payable totaled \$350,000.

Principal payments on the notes for the next 5 years are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 137,681
2018	158,385
2019	8,301
2020	8,554
2021	8,640
2022 and later years	<u>517,094</u>
	<u>\$ 838,655</u>

NOTE 6 - PROPERTY MANAGEMENT FEE - GONZAGA TOWNHOMES

The management fee for Gonzaga Townhomes is designed to cover the costs of leasing activities and maintaining the Organization's accounts, books, and records in accordance with the requirements of RD and accounting principles generally accepted in the United States of America. The Organization entered into a Property Management Agreement with Hoban & Associates, Inc., doing business as Coast Real Estate Services, providing for a management fee. During 2016 and 2015, the RD-approved management fee rates were \$56 and \$55 per unit per month, respectively. For the years ended December 31, 2016 and 2015, property management fees expensed totaled \$16,800 and \$16,503, respectively.

GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Carriage Court Family Housing, LLC (Carriage Court)

The Organization is the Managing Member of Carriage Court and has the following commitments related to Carriage Court:

Tax Credit Guaranty

The Organization guaranties delivery of no less than the projected tax credits to the investor member and will timely comply with all requirements set forth in the Carryover Allocation and the Qualified Allocation Plan.

Carriage Court Family Housing, LLC (Carriage Court) - (Continued)

Operating Deficit Guaranty

The Organization is obligated to fund operating deficits, if incurred, in an amount up to \$99,500 during the operating deficit guaranty period. The operating deficit guaranty period is the period beginning with the date on which Carriage Court achieves stabilized occupancy and ending on the date on which Carriage Court has achieved an expense coverage ratio of 1.10 or better, measured on an annualized basis, for a period of two consecutive years commencing on or after the third anniversary of achievement of stabilized occupancy; provided, however, that if the operating reserve is not funded on the last day of such period in an amount greater than or equal to the operating reserve target amount, which is \$99,500, then the operating deficit guaranty period shall be extended until such time as the operating reserve account is funded in an amount that is greater than or equal to the operating reserve target amount. Provisions for repayment of any operating deficit are set forth in the operating agreement.

GP Opportunity Housing LLC

Pursuant to the terms defined in the Amended and Restated Operating Agreement of GP Opportunity Housing LLC (the Agreement), the Organization, as the Managing Member, has committed to the following:

Tax Credit Guaranty

The Organization guaranties delivery of no less than the projected tax credits to the investor member and will timely comply with all requirements set forth in the Carryover Allocation and the Qualified Allocation Plan.

Development Completion Guaranty

The Organization unconditionally guaranties that the property will be constructed in a good and workmanlike manner free and clear of all liens in accordance with plans and provisions of the loans and Operating Agreement on or before the Construction Completion Date and will be leased up in accordance with the projections. The repayment of any borrowings arranged to fund such obligations are the sole obligation of Organization.

GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - COMMITMENTS AND CONTINGENCIES - (CONTINUED)

GP Opportunity Housing LLC - (Continued)

Operating Deficit Guaranty

The Organization is obligated to fund operating deficits, if incurred, in an amount up to \$134,908 during the operating deficit guaranty period. The operating deficit guaranty period is the period beginning with the date on which GP Opportunity Housing LLC achieves stabilized occupancy and ending on the date on which GP Opportunity Housing LLC has achieved an expense coverage ratio of 1.05 or better, measured on an annualized basis, for a period of two consecutive years commencing on or after the third anniversary of achievement of stabilized occupancy; provided, however, that if the operating reserve is not funded on the last day of such period in an amount greater than or equal to the operating reserve target amount, then the operating deficit guaranty period shall be extended until such time as the operating reserve account is funded in an amount that is greater than or equal to the operating reserve target amount, which is \$134,908. Provisions for repayment of any operating deficit are set forth in the operating agreement.

Prosser Opportunity Housing LLLP

Pursuant to the terms defined in the Amended and Restated Operating Agreement of Prosser Opportunity Housing LLLP (the Agreement), the Organization, as the sole member of Prosser Partners LLC, the General Partner, has committed to the following:

Tax Credit Guaranty

The Organization guaranties delivery of no less than the projected tax credits to the investor member and will timely comply with all requirements set forth in the Carryover Allocation and the Qualified Allocation Plan.

Development Completion Guaranty

The Organization, unconditionally guaranties that the property will be constructed in a good and workmanlike manner free and clear of all liens in accordance with plans and provisions of the loans and Operating Agreement on or before the Construction Completion Date and will be leased up in accordance with the projections. The repayment of any borrowings arranged to fund such obligations are the sole obligation of Guarantor.

GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - COMMITMENTS AND CONTINGENCIES - (CONTINUED)

Prosser Opportunity Housing LLC - (Continued)

Operating Deficit Guaranty

The Organization is obligated to fund operating deficits, if incurred, in an amount up to \$190,083 during the operating deficit guaranty period. The operating deficit guaranty period is the period beginning with the date on which Prosser Opportunity Housing LLLP achieves stabilized occupancy and ending on the date on which Prosser Opportunity Housing LLLP has achieved an expense coverage ratio of 1.15 or better, measured on an annualized basis, for a period of two consecutive years commencing on or after the third anniversary of achievement of stabilized occupancy; provided, however, that if the operating reserve is not funded on the last day of such period in an amount greater than or equal to the operating reserve target amount, which is \$190,083, then the operating deficit guaranty period shall be extended until such time as the operating reserve account is funded in an amount that is greater than or equal to the operating reserve target amount. Provisions for repayment of any operating deficit are set forth in the operating agreement.

Guaranty

The Organization, together with Catholic Charities Housing Services - Diocese of Yakima (the Guarantors) have entered a guaranty agreement to the benefit of the partnership whereby the Guarantors guaranty the obligations of the Organization under the partnership Agreement, including but not limited to the guaranty obligations and credit reduction payment obligations, as described in the agreement.

NOTE 8 - MAJOR COMPONENT UNIT INFORMATION

Carriage Court Family Housing, LLC (Carriage Court)

Carriage Court Family Housing LLC, a Washington limited liability company was formed in 2012 to acquire, construct, own, finance, lease and operate a 41-unit apartment project located in Grandview, Washington. The project was completed and occupancy began in September 2013. Carriage Court Family Housing LLC's ownership is comprised of NEF Assignment Corporation (Investor Member) and Genesis Housing Services (Managing Member), with ownership interest of 99.99% and .01%, respectively. The Operating Agreement provides for the term of the Carriage Court Family Housing LLC to be perpetual unless dissolved in accordance with the agreement.

Carriage Court Family Housing LLC has received an allocation of federal low-income housing tax credits under Section 42 of the Internal Revenue Code, administered by the Washington State Housing Finance Commission (WSHFC). Under this program, housing provided by the Carriage Court Family Housing LLC is subject to monitoring of tenant eligibility by WSHFC. In addition, Carriage Court Family Housing LLC has agreed to maintain 100 percent of the apartment units as both rent restricted and occupied by low-income tenants for a period of 40 years beginning in 2013.

GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - MAJOR COMPONENT UNIT INFORMATION (CONTINUED)

Carriage Court Family Housing LLC - (Continued)

Carriage Court Family Housing LLC's condensed balance sheets at December 31, 2016 and 2015:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Rental property and equipment, net	\$ 6,727,734	\$ 6,987,652
Restricted deposits	405,347	391,954
Other assets	<u>261,881</u>	<u>206,881</u>
Total assets	<u>\$ 7,394,962</u>	<u>\$ 7,586,487</u>
 Total liabilities	 \$ 1,040,355	 \$ 988,413
Members' capital:		
Members' equity	6,505,906	6,749,373
Syndication costs	<u>(151,299)</u>	<u>(151,299)</u>
Total members' capital	<u>6,354,607</u>	<u>6,598,074</u>
 Total liabilities and members' capital	 <u>\$ 7,394,962</u>	 <u>\$ 7,586,487</u>



GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

Carriage Court Family Housing LLC - (Continued)

Carriage Court Family Housing LLC's condensed statements of operations for the years ended December 31, 2016 and 2015:

	<u>Years Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Operating revenue:		
Gross rental potential	\$ 257,506	\$ 235,673
Vacancy/collection loss	<u>(7,191)</u>	<u>(2,269)</u>
	250,315	233,404
Other revenue	<u>6,917</u>	<u>8,269</u>
Total revenue	257,232	241,673
Operating expenses:		
Administrative	80,031	75,233
Utilities	40,049	34,531
Maintenance and operating	30,038	32,506
Taxes and insurance	<u>11,375</u>	<u>12,885</u>
	<u>161,493</u>	<u>155,155</u>
Operating income before company and financial expenses	95,739	86,518
Company and financial expenses:		
Company management fee	13,659	13,261
Asset management fee	4,098	3,978
Interest	<u>56,489</u>	<u>53,301</u>
	<u>74,246</u>	<u>70,540</u>
Net income before depreciation and amortization	<u>21,493</u>	<u>15,978</u>
Depreciation	259,918	259,918
Amortization	<u>5,042</u>	<u>5,042</u>
Net loss	<u>\$ (243,467)</u>	<u>\$ (248,982)</u>

GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

Carriage Court Family Housing LLC - (Continued)

Carriage Court Family Housing LLC's condensed statements of cash flows for the years ended December 31, 2016 and 2015:

	<u>Years Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net loss	\$ (243,467)	\$ (248,982)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	264,960	264,960
Amortization of debt issuance costs	173	173
Changes in certain assets and liabilities:		
Prepaid expenses	(180)	(10,537)
Accounts receivable, net	2,645	(1,460)
Accounts payable	7,017	(10,225)
Asset management fee payable	(5,618)	3,978
Company management fee payable	(4,846)	3,173
Prepaid rent	405	40
Accrued interest	<u>56,316</u>	<u>53,128</u>
Net cash provided by operating activities	77,405	54,248
Cash flows from investing activities:		
Deposits to operating reserve	(42)	(99,654)
Deposits to replacement reserve	<u>(14,856)</u>	<u>(229,171)</u>
Net cash flows used by investing activities	(14,898)	(328,825)
Cash flows from financing activities:		
Contributions from members	-	342,564
Payments of developer fee payable	<u>-</u>	<u>(32,750)</u>
Net cash flows provided by financing activities	-	309,814
Net increase in cash	62,507	35,237
Cash and cash equivalents - beginning of year	<u>128,739</u>	<u>93,502</u>
Cash and cash equivalents - end of year	<u>\$ 191,246</u>	<u>\$ 128,739</u>

GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

GP Opportunity Housing LLC

GP Opportunity Housing LLC, a Washington limited liability company was formed in 2012 to acquire, construct, own, finance, lease and operate a 51-unit apartment project (the Project), located in Granger, Washington. GP Opportunity Housing LLC was completed and occupancy began in 2015. GP Opportunity Housing LLC's ownership is comprised of NEF Assignment Corporation (Investor Member) and Genesis Housing Services (Managing Member), with ownership interests of 99.99% and .01%, respectively. The Operating Agreement provides for the term of GP Opportunity Housing LLC to be perpetual unless dissolved in accordance with the agreement.

GP Opportunity Housing LLC has received preliminary reservation for an allocation of federal low-income housing tax credits under Section 42 of the Internal Revenue Code, administered by the Washington State Housing Finance Commission (WSHFC). Under this program, housing provided by the Project is subject to monitoring of tenant eligibility by WSHFC. In addition, the GP Opportunity Housing LLC has agreed to maintain 100 percent of the apartment units as both rent restricted and occupied by low-income tenants for a period of 40 years beginning in 2015.

GP Opportunity Housing LLC's condensed balance sheets at December 31, 2016 and 2015:

	<u>Years Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Rental property and equipment, net	\$ 8,632,264	\$ 8,910,373
Other assets	<u>623,127</u>	<u>138,160</u>
Total assets	<u>\$ 9,255,391</u>	<u>\$ 9,048,533</u>
Total liabilities	\$ 1,935,263	\$ 8,313,179
Members' capital		
members' equity	7,346,128	735,354
Syndication costs	<u>(26,000)</u>	<u>-</u>
Total members' capital	<u>7,320,128</u>	<u>735,354</u>
Total liabilities and members' capital	<u>\$ 9,255,391</u>	<u>\$ 9,048,533</u>

GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

GP Opportunity Housing LLC - (Continued)

GP Opportunity Housing LLC's condensed statements of operations for the years ended December 31, 2016 and 2015:

	<u>Years Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Operating revenue:		
Gross rental potential	\$ 303,257	\$ 21,155
Vacancy/collection loss	<u>(1,468)</u>	<u>-</u>
	301,789	21,155
Other revenue	<u>14,288</u>	<u>530</u>
Total revenue	316,077	21,685
Operating expenses:		
Administrative	116,895	31,596
Utilities	57,289	5,374
Maintenance and operating	23,077	114
Taxes and insurance	<u>5,074</u>	<u>14,761</u>
	<u>202,335</u>	<u>51,845</u>
Operating income (loss) before company and financial expenses	113,742	(30,160)
Company and financial expenses:		
Interest	62,781	-
Donation	24,941	-
Company management fee	13,500	-
Asset management fee	<u>5,000</u>	<u>-</u>
	<u>106,222</u>	<u>-</u>
Net income (loss) before depreciation and amortization	7,520	(30,160)
Depreciation	303,225	57,750
Amortization	<u>6,504</u>	<u>1,838</u>
Net loss	<u>\$ (302,209)</u>	<u>\$ (89,748)</u>

GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

GP Opportunity Housing LLC - (Continued)

GP Opportunity Housing LLC's condensed statements of cash flows for the years ended December 31, 2016 and 2015:

	<u>Years Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net loss	\$ (302,209)	\$ (89,748)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	309,729	59,588
Amortization of debt issuance costs	1,772	-
Changes in certain assets and liabilities:		
Accounts receivable - tenants	(1,423)	-
Prepaid expenses	(12,373)	-
Accounts payable	950	10,305
Prepaid rent	930	-
Accrued management fee payable	19,480	-
Accrued interest	<u>17,809</u>	<u>-</u>
Net cash provided (used) by operating activities	34,665	(19,855)
Cash flows from investing activities:		
Payments for investment in fixed assets and land improvements	-	(6,634,570)
Withdrawals from (deposits to) operating reserve	<u>(134,772)</u>	<u>-</u>
Net cash flows used by investing activities	(134,772)	(6,634,570)
Cash flows from financing activities:		
Proceeds from mortgage notes payable	-	6,605,557
Advance on note payable	6,825	-
Payment on note payable	(4,956,759)	-
Payment of developer fee	(575,928)	-
Payment of construction payable	(834,129)	-
Payment of syndication costs	(26,000)	-
Payment of tax credit fees	(42,418)	(42,808)
Payments of financing costs	(25,116)	-
Contributions	<u>6,759,280</u>	<u>-</u>
Net cash flows provided by financing activities	305,755	6,562,749
Net decrease in cash	205,648	(91,676)
Cash and cash equivalents - beginning of year	<u>18,898</u>	<u>110,574</u>
Cash and cash equivalents - end of year	<u>\$ 224,546</u>	<u>\$ 18,898</u>

GENESIS HOUSING SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

GP Opportunity Housing LLC - (Continued)

	<u>Years Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of interest capitalized	\$ 43,200	\$ -
Supplemental disclosure of non-cash investing and financing activities:		
Increase in capital contributions from related party receivables	\$ 114,775	\$ -

GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

Prosser Opportunity Housing LLLP

Prosser Opportunity Housing LLLP, a Washington limited liability limited partnership was formed in 2015 to acquire, construct, own, finance, lease and operate a 51-unit apartment project located in Prosser, Washington. The project was completed and occupancy began in 2016. Prosser Opportunity Housing LLLP's ownership is comprised of NEF Assignment Corporation (Investor Member) and Genesis Housing Services (Managing Member), with ownership interests of 99.99% and .01%, respectively. The Operating Agreement provides for the term of the Prosser Opportunity Housing LLLP to be perpetual unless dissolved in accordance with the agreement.

Prosser Opportunity Housing LLLP has received preliminary reservation for an allocation of federal low-income housing tax credits under Section 42 of the Internal Revenue Code, administered by the Washington State Housing Finance Commission (WSHFC). Under this program, housing provided by the Project is subject to monitoring of tenant eligibility by WSHFC. In addition, Prosser Opportunity Housing LLLP has agreed to maintain 100 percent of the apartment units as both rent restricted and occupied by low-income tenants for a period of 40 years beginning in 2016.

Prosser Opportunity Housing LLLP condensed statements of balance sheets at December 31, 2016 and 2015:

	<u>Years Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Rental property and equipment, net	\$ 9,736,516	\$ 6,637,675
Other assets	<u>770,815</u>	<u>373,341</u>
Total assets	<u>\$ 10,507,331</u>	<u>\$ 7,011,016</u>
Total liabilities	\$ 4,063,424	\$ 6,239,287
Partners' capital:		
Partners' equity	6,495,907	823,729
Syndication costs	<u>(52,000)</u>	<u>(52,000)</u>
Total partners' capital	<u>6,443,907</u>	<u>771,729</u>
Total liabilities and partners' capital	<u>\$ 10,507,331</u>	<u>\$ 7,011,016</u>

GENESIS HOUSING SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

Prosser Opportunity Housing LLC - (Continued)

Prosser Opportunity Housing LLLP's condensed statement of operations for the year ended December 31, 2016:

	<u>December 31,</u> <u>2016</u>
Operating revenue:	
Gross rental potential	\$ 204,301
Vacancy/collection loss	<u>(33,225)</u>
	171,076
Other revenue	<u>15,599</u>
Total revenue	186,675
 Operating expenses:	
Administrative	100,425
Utilities	46,233
Maintenance and operating	14,245
Taxes and insurance	<u>6,483</u>
	<u>167,386</u>
Operating income before company and financial expenses	19,289
 Company and financial expenses:	
Interest	146,323
Other financial	8,868
Partnership management fee	13,500
Asset management fee	<u>2,500</u>
	<u>171,191</u>
Net loss before depreciation and amortization	(151,902)
Depreciation	222,413
Amortization	<u>4,283</u>
Net loss	\$ <u>(378,598)</u>

Prosser Opportunity Housing LLLP had no operating revenues or expenses for the year ended December 31, 2015.



GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

Prosser Opportunity Housing LLLP - (Continued)

Prosser Opportunity Housing LLLP's condensed statement of cash flows for the year ended December 31, 2016:

	December 31, 2016
Cash flows from operating activities:	
Net loss	\$ (378,598)
Adjustments to net loss to net cash provided by operating activities:	
Depreciation and amortization	226,696
Amortization of debt issuance costs	98,579
Changes in certain assets and liabilities:	
Accounts receivable	(8,210)
Prepaid expenses	(12,418)
Accounts payable	33,040
Deferred revenue	140
Asset management fee	2,500
Partnership management fee	13,500
Accrued interest payable	48,041
Accrued expenses	<u>(11,830)</u>
Net cash used by operating activities	11,440
Cash flows from investing activities:	
Payments for investment in fixed assets and land improvements	(3,098,226)
Cash flows from financing activities:	
Proceeds from notes payable	1,880,600
Payment on notes payable	(2,730,213)
Payment of construction payable	(1,696,233)
Payment of tax credit fees	(10,912)
Payments of financing costs	(62,829)
Contributions	<u>6,050,776</u>
Net cash flows provided by financing activities	3,431,189
Net increase in cash	344,403
Cash and cash equivalents - beginning of year	<u>287,881</u>
Cash and cash equivalents - end of year	<u>\$ 632,284</u>

GENESIS HOUSING SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

Prosser Opportunity Housing LLLP - (Continued)

December 31,  
2016

Supplemental disclosure of non-cash investing and financing activities:

Increase in buildings, furnishings and equipment financed by developer fee payable	\$ 223,028
Reclassification of construction in process to fixed assets	\$ 6,323,075

NOTE 9 - SUBSEQUENT EVENTS

Land Purchase - Undeveloped Property

During 2016, the Organization entered into a purchase and sale agreement for the purchase of undeveloped land in Yakima, Washington. \$10,000 in escrow funds were paid in December 2016. The land purchase, in the amount of \$295,000 was completed in March 2017.

Inspire Building Lease

On April 21, 2017, the Organization (the Lessor) entered into the master commercial lease agreement with Catholic Charities Housing Services (CCHS, the Lessee) for a portion of Inspire Building, located in the City of Sunnyside, Yakima County, Washington. The term shall be for a period of two years, beginning on May 1, 2017, and the rent is \$25,278 per year and \$35,858 per year in Triple Net Lease Expenses (real estate taxes, utilities, insurance, and maintenance). Annual Triple Net Expenses are estimated. Lessee shall have three one year options to renew thereafter with the lease amount to be agreed to by both parties prior to exercising their option. Rent increase, if any, not to exceed 5% in any one year.



**Loveridge Hunt & Co., PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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  
Genesis Housing Services  
Yakima, Washington

We have audited, in accordance with the 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 Genesis Housing Services, a Not-For-Profit Organization (the Organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated June 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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.

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)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bellevue, Washington

June 2, 2017

ADDITIONAL INFORMATION

Form RD3560-10  
(02-05)

MULTI FAMILY HOUSING  
BORROWER BALANCE SHEET  
PART 1 - BALANCE SHEET

Project Name Gonzaga Townhomes	Borrower Name Genesis Housing Services	Borrower ID and Project No. 56-039-321806793 02-2
-----------------------------------	---	--

ASSETS	Beginning Dates>	CURRENT YEAR	PRIOR YEAR	COMMENTS
	Ending Dates>	01/01/16	01/01/15	

CURRENT ASSETS

1. General operating account.....		39,543	15,961	
2. R.E. tax & insurance account.....				
3. Reserve account.....		302,464	261,811	
4. Security deposit account.....		13,950	13,920	
5. Other cash (identify) _____				
6. Other (identify) _____				
7. Total accounts receivable (attach list).....		627	1,851	
Accounts receivable 0 - 30 days \$ _____ 627			1,851	
Accounts receivable 30 - 60 days \$ _____				
Accounts receivable 60 - 90 days \$ _____				
Accounts receivable over 90 days \$ _____				
8. Less: Allowance for doubtful accounts.....				
9. Inventories (supplies).....				
10. Prepayments.....		5,840	5,858	
11. <u>Receivables from new projects</u>				
12. Total current assets (add 1 thru 11).....		362,424	299,401	

FIXED ASSETS

13. Land.....		51,793	51,793	
14. Buildings.....		3,683,271	3,683,271	
15. Less: Accumulated depreciation.....		(1,066,806)	(967,294)	
16. Furniture & equipment.....		82,493	82,493	
17. Loan fees		2,439	2,439	
18. <u>Less: Accumulated amortization</u>		(1,627)	(1,465)	
19. Total fixed assets (add 13 thru 18).....		2,751,563	2,851,237	

OTHER ASSETS

20. _____				
21. Total assets (add 12, 19, and 20).....		3,113,987	3,150,638	

LIABILITIES AND OWNER'S EQUITY

CURRENT LIABILITIES

22. Total accounts payable (attach list).....		35,275	31,667	
Accounts payable 0 - 30 days \$ _____ 11,635			10,045	
Accounts payable 30 - 60 days \$ _____				
Accounts payable 60 - 90 days \$ _____				
Accounts payable over 90 days \$ _____ 23,640			21,622	
23. Notes payable (attach list).....				
24. Security deposits.....		13,950	14,308	
25. Total current liabilities (add 22 thru 24).....		49,225	45,975	

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection information.

LONG-TERM LIABILITIES

26. Notes payable Rural Development.....	209,276	217,496	
27 Other (identify) _____			
28. Total long-term liabilities (add 26 and 27).....	209,276	217,496	
29. Total liabilities (add 25 and 28).....	258,501	263,471	
30. Owner's equity (Net worth) (21 minus 29).....	2,855,486	2,887,167	
31. Total liabilities and owner's equity (add 29 and 30).....	3,113,987	3,150,638	

WARNING: Section 1001 of Title 18, United States Code provides, "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Signature of Borrower or Borrower's Representative)

\_\_\_\_\_  
(Title)

PART II - VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 3560-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name and Title)

\_\_\_\_\_  
(Address)

In lieu of the above verification, a review completed, dated and signed by a person or firm qualified by a license or certification is attached.

Form RD 3560-7  
(05-06)

**MULTIPLE FAMILY HOUSING PROJECT BUDGET/UTILITY ALLOWANCE**

Project Name - Gonzaga Townhomes		Borrower Name - Genesis Housing Services		Borrower ID and Project No. 56-039-321806793 02-2	
Loan/Transfer Amount \$277,852		Note Rate Payment \$-		IC Payment \$863	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly <input type="checkbox"/> <input type="checkbox"/>	Budget Type <input type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular <input type="checkbox"/> Rent Change <input type="checkbox"/> SMR <input type="checkbox"/> Other Servicing	Project Rental Type <input checked="" type="checkbox"/> Family <input type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input type="checkbox"/> Limited Profit <input checked="" type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input checked="" type="checkbox"/> Gas <input checked="" type="checkbox"/> Water <input checked="" type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> <input type="checkbox"/> Other: _	
I hereby request 25 Units of RA. Current number of RAunits <u>25</u> .					Borrower Accounting Method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual

PART I - CASH FLOW STATEMENT

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
BEGINNING DATES>	01/01/16	01/01/16	01/01/17	
ENDING DATES>	12/31/16	12/31/16	12/31/17	
<b>OPERATIONAL CASH SOURCES</b>				
1. Rental income.....	208,500	101,925	208,500	
2. RHS rental assistance received.....		102,774		
3. Application fees received.....				
4. Laundry and vending.....				
5. Interest income.....	75	74	75	
6. Tenant charges.....	525	804	525	
7. Other - project sources.....				
8. Less (vacancy and contingency allowance).....	(6,255)		(6,255)	
9. Less (Agency approved incentive allowance).....				
10. Sub-total (1 thru 7) - (8&9).....	202,845	205,577	202,845	
<b>NON-OPERATIONAL CASH SOURCES</b>				
11. Cash - non project.....				
12. Authorized Loan (Non-RHS).....				
13. Transfer from reserve.....	21,750	1,495	10,558	
14. Sub-total (11 thru 13).....	21,750	1,495	10,558	
15. Total cash sources (10 + 14).....	224,595	207,072	213,403	
<b>OPERATIONAL CASH USES</b>				
16. Total O & M Expenses (From Part II).....	148,912	130,011	150,718	
17. RHS debt payment.....	10,356	10,357	10,356	
18. RHS payment (Overage).....				
19. RHS payment (Late fee).....				
20. Reduction in prior year payables.....				
21. Tenant utility payments.....				
22. Transfer to reserve.....	35,305	42,148	35,305	
23. Return to owner NP asset management fee.....	3,940		3,940	
24. Sub-total (16 thru 23).....	198,513	182,516	200,319	
<b>NON-OPERATIONAL CASH USES</b>				
25. Authorized debt payment (Non-RHS).....				
26. Annual capital budget (From Part III 4-6).....	21,750	1,495	10,558	
27. Miscellaneous.....				
28. Sub-total (25 thru 27).....	21,750	1,495	10,558	
29. Total cash uses (24 + 28).....	220,263	184,011	210,877	
30. Net cash (deficit) (15 - 29).....	4,332	23,061	2,526	
<b>CASH BALANCE</b>				
31. Beginning cash balance.....	15,961	15,961	39,543	
32. Accrual to cash adjustment.....		521		
33. Ending cash balance (30 + 31 + 32).....	20,293	39,543	42,069	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.



**PART II - OPERATING AND MAINTENANCE EXPENSE SCHEDULE**

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. Maintenance & repairs payroll.....	20,567	10,983	21,184	
2. Maintenance & repairs supply.....	2,500	1,736	2,500	
3. Maintenance & repairs contract.....	500	551	500	
4. Painting.....	500	15	500	
5. Snow removal.....	800		800	
6. Elevator maintenance/contract.....				
7. Grounds.....	1,500	1,712	1,500	
8. Services.....	500		500	
9. Annual capital budget (From Part V - Operating).....			2,500	
10. Other operating expenses (Itemize).....				
11. Sub-total Maintenance & Operating (1 thru 10).....	26,867	14,997	29,984	
12. Electricity.....	4,770	3,456	4,340	
13. Water.....	20,215	21,984	20,215	
14. Sewer.....	22,211	24,481	22,211	
15. Fuel (oil/coal/gas).....				
16. Garbage & trash removal.....	9,148	9,757	9,614	
17. Other utilities.....				
18. Sub-total Utilities (12 thru 17).....	56,344	59,678	56,380	
19. Site management payroll.....	16,311	13,202	16,800	
20. Management fee.....	16,800	16,800	17,400	
21. Project auditing expense.....	6,000	5,822	6,000	
22. Project bookkeeping/accounting.....				
23. Legal expenses.....	800		800	
24. Advertising.....	300	200	300	
25. Telephone & answering service.....	3,040	3,123	3,200	
26. Office supplies.....	910	571	900	
27. Office furniture & equipment.....	455	355	455	
28. Training expense.....	1,000	845	1,000	
29. Health insurance and other employee benefits.....	2,800		2,800	
30. Payroll taxes.....	3,800	2,550	3,500	
31. Workman's compensation.....	2,650	1,897	2,650	
32. Other administrative expenses (Itemize).....	1,335	3,636	1,549	
33. Sub-total Administrative (19 thru 32).....	56,201	49,001	57,354	
34. Real estate taxes.....				
35. Special assessments.....				
36. Other taxes, licenses & permits.....				
37. Property & liability insurance.....	9,500	6,335	7,000	
38. Fidelity coverage insurance.....				
39. Other insurance.....				
40. Sub-total Taxes & Insurance (34 thru 39).....	9,500	6,335	7,000	
41. Total O & M Expenses (11 + 18 + 33 + 40).....	148,912	130,011	150,718	

PART III - ACCOUNT BUDGETING/STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
Reserve Account:				
1. Beginning balance.....	261,811	261,811	302,464	
2. Transfer to reserve.....	35,305	42,148	35,305	
Transfer from reserve:				
3. Operating deficit.....				
4. Annual capital budget (From Part V - Reserve).....	21,750	(1,495)	10,558	
5. Building and equipment repair.....				
6. Other non-operating expenses.....				
7. Total (3 thru 6).....	21,750	(1,495)	10,558	
8. Ending balance [(1 + 2) - 7].....	318,866	302,464	348,327	

General Operating Account\*

Beginning balance.....	15,961	
Ending balance.....	39,543	

Real Estate Tax and Insurance Escrow Account\*

Beginning balance.....		
Ending balance.....		

Tenant Security Deposit Account:\*

Beginning balance.....	13,920	
Ending balance.....	13,950	

(\*Complete upon submission of actual expenses)

Number of applicants on the waiting list.....		Reserve Account Required Balance.....	
Number of applicants needing RA.....		Amount Ahead/Behind.....	

PART V - ANNUAL CAPITAL BUDGET

		Proposed No of Units/Items	Proposed from Reserve	Actual from Reserve	Proposed from Operating	Actual from Operating	Actual Total Cost	Total Actual Units/Items
Appliances:	Range.....	1	500					
	Refrigerator.....	1	650					
	Range Hood.....							
	Washers & Dryers.....							
	Other: .....							
Carpet and Vinyl:	1 Br.....							
	2 Br.....	1			2,500			
	3 Br.....	1	3,500					
	4 Br.....	1	4,500					
	Other: .....							
Cabinets:	Kitchens.....							
	Bathroom.....							
	Other: .....							
Doors:	Exterior.....							
	Interior.....							
	Other: .....							
Window Coverings:	List: .....							
	Other: .....							
Heating & Air Conditioning:	Heating.....							
	Air conditioning.....							
	Other: .....							
Plumbing:	Water Heater.....							
	Bath Sinks.....							
	Kitchen Sinks.....							
	Faucets.....							
	Toilets.....							
	Other: .....							
Major Electrical:	List: .....							
	Other: .....							
Structures:	Windows.....							
	Screens.....							
	Walls.....							
	Roofing.....							
	Siding.....							
	Exterior Painting.....							
	Other: .....							
Paving:	Asphalt.....							
	Concrete.....							
	Seal and Stripe.....							
	Other: .....							
Landscape & grounds:	Landscaping.....							
	Lawn Equipment.....							
	Fencing.....							
	Recreation Area.....							
	Signs.....							
	Other: .....							
Accessibility features:	List: .....							
	Other: .....		1,408					
Automation equipment:	Site management.....							
	Common area.....							
	Other: .....							
Other:	List: transition plan.....			1,495			1,495	
	List: .....							
	List: .....							
TOTAL CAPITAL EXPENSES:			10,558	1,495	2,500		1,495	

PART VII - SIGNATURES, DATES AND COMMENTS

**WARNING:** Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

(Date)	(Signature of Borrower or Borrower's Representative)
	(Title)

Agency APPROVAL (Rural Development Approval Official):	DATE
--	------

COMMENTS:

<u>Itemized Part II, Line 32</u>		
Compliance Fee	\$	945
Postage		81
Professional Fees		1,193
Auto and Travel		1,009
Credit Checks		152
Misc Administrative:GHA		249
Late Fees		7
Total	\$	3,636

GENESIS HOUSING SERVICES

SCHEDULE SUPPORTING FORM RD 3560-10

Year Ended December 31, 2016

Schedule of Accounts Receivable

	<u>Current</u>	<u>30-60</u>	<u>60-90</u>	<u>&gt;90 days</u>	<u>Total</u>
Due from tenants	\$ <u>628</u>	\$ -	\$ -	\$ -	\$ <u>628</u>
Total	\$ <u><u>628</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>628</u></u>

Schedule of Accounts Payable

	<u>Current</u>	<u>30-60</u>	<u>60-90</u>	<u>&gt;90 days</u>	<u>Total</u>
Prepaid rent	\$ 1,107	\$ -	\$ -	\$ -	\$ 1,107
Asset management fee payable	3,940	-	-	23,640	27,580
Property management fee payable	200	-	-	-	200
Accounts payable	<u>6,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,388</u>
Total	\$ <u><u>11,635</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>23,640</u></u>	\$ <u><u>35,275</u></u>

GENESIS HOUSING SERVICES

SCHEDULES REQUIRED BY RD

December 31, 2016

1. Management Fee Calculation

The management fee is based on a fee per unit occupied by tenants during the month.

The management fee was computed as follows:

Total Qualified Units:				
26 units	x	12 months		312
Less:				
Rent Free Unit	(	1 unit x 12 months)	12	
Vacancies	(	2 units)	2	
				<u>(14)</u>
Total Occupied Units				298
Fee Per Unit (Effective January 2016-December 2016)			\$	<u>56.00</u>
Total Management Fee Expense			\$	<u><u>16,688</u></u>
Add: Management fee receivable - beginning of year				-
Less: Management fee receivable - end of year				-
Add: Management fee payable - beginning of year				331
Less: Management fee payable - end of year				<u>(200)</u>
Management fee paid			\$	<u><u>16,819</u></u>

GENESIS HOUSING SERVICES

SCHEDULES REQUIRED BY RD - (CONTINUED)

December 31, 2016

2. Insurance Disclosure

The Organization maintains insurance coverage as follows:

<u>Insurance</u>	<u>Deductible</u>	<u>Coverage</u>
Property coverage - Buildings	\$ 5,000	\$ 3,766,920
Comprehensive Business Liability	\$ -	\$ 2,000,000
Fidelity/Employee Dishonesty	\$ -	\$ 1,000,000

3. NP Asset Management Fee

In accordance with the Loan Agreement, the annual asset management fee to the owner is as follows:

Maximum Annual Asset Management Fee: \$ 3,940

Budgeted Annual Asset Management Fee: \$ 3,940

There was no annual asset management fee paid during 2015.