

NEW DIRECTIONS HOUSING CORPORATION  
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

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## Management Overview of the Fiscal Year Ended June 30, 2014

Joseph E. Gliessner, Jr.  
Chief Executive Officer

**New Directions Housing Corporation delivers high quality community development services** through needed programs like Real Estate Development, Property Management, Resident Services, Community Building and Engagement, and Home Ownership Preservation, notably through the dynamic volunteerism of Repair Affair. Services are provided to neighborhoods and families in a three-county area located at the heart of the Metropolitan Statistical Area that is Louisville, Kentucky, which consists of Jefferson County, Kentucky and Floyd and Clark Counties, in Indiana.

The Board of Directors maintains its stance that a strengthened, fiscally prepared agency is an essential platform to meet community stabilization challenges. Fiscal 2014 was a year of continued operational improvements. This is reflected in the audited financial statements with the change in Net Assets (Net Income) of \$317,000 making this the Agency's sixth consecutive positive year. The Net Asset position of the Agency was even stronger with Net Assets of \$16,187,000, virtually equal to the total debt of \$16,215,000. Cash was \$2,458,000 while Accounts Payable was a modest \$267,000. New and renewal financing facilities of \$1 million have already occurred and work is well advanced on financing requirements for fiscal 2015.

**Exemplary Performance ...** An external assessment of the Agency was performed this year by NeighborWorks® America, which is a congressionally chartered nonprofit organization that supports community development in the United States. **In 2014, the Agency was rated as Exemplary after an exhaustive review of production, resource and financial management, organizational management and board governance practices, operational staffing, planning, and technical compliance systems.** This assessment rating places the Agency in very exclusive company and qualifies New Directions for expanded support from NeighborWorks for the benefit of the service area.

**Property Management Operations ...** Operating performance of our property portfolio is strong and continues to improve as reflected in a series of top grades on our HUD property inspections including one grade of 100 percent which is a tremendous achievement. HUD inspection scores increased from an average of 89 percent in 2013 to 96 percent in 2014. Occupancy rates for the managed portfolio, as a whole, averaged 98 percent, an increase of 2 percent over 2013. Rent revenues are up 12 percent over 2013. These performance factors are significant for New Directions. This line of business accounts for over 75 percent of the Agency's financial volume. The great stability and performance of the portfolio is the Agency's financial keystone.

**Strategic reinvestment in housing ...** Multifamily and single family housing investment is ongoing and made possible through important partnerships with financial stakeholders, public funders and other constituents. Looking forward, Real Estate Development focus will be in the redevelopment of the Agency's multifamily housing portfolio. **New Russell Apartments** represents the major portfolio strengthening initiative for the year in review. As designed last year, the then-proposed 183-unit Russell transaction was postponed when we did not receive an award of Low Income Housing Tax Credits. We were advised to apply again for LIHTC for approximately half of the 183-unit project in FY2015 and after that deal is completed, to apply again for the other half. This is the first of five planned redevelopments of similar size queued in the development pipeline to ensure long-term housing quality and affordability preservation. 100 percent of the 463 units held within these five planned applications are equipped with HUD Housing Assistance Program (HAP) subsidies.

Additional progress in Real Estate Development included the acquisition and renovation of 1506 and 1508 West Market Street, two Louisville properties that were immediately occupied upon completion. This and another small housing community, the Historic Parkland Properties, both show positive cash flow due to redevelopment and subsequent improved performance.

**Community impact ...** New Directions was at the ready as national stimulus programs sent funding to Louisville and Southern Indiana to tackle housing vacancy and abandonment in the wake of the recession. **Single-family housing development** is a community stabilization strategy significantly in play adjacent major Agency multifamily investments in Louisville's Shelby Park and New Albany's Midtown neighborhoods. With these unusual resources, New Directions has built and sold 35 homes to income eligible buyers and, with over \$1.8 million in sales proceeds and other funding, will build another 12 homes in the next 15 months. Developer fees in excess of \$223,000 are anticipated. Earlier efforts have resulted in stabilizing comparable values and increasing confidence in these two emerging neighborhoods of choice.

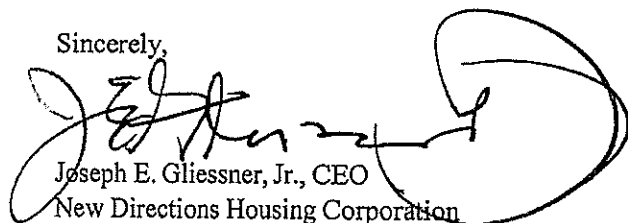
Strategies in Resident Services, Home Ownership Preservation and Community Building continue to benefit from the support of generous foundations and corporations, including 43 Repair Affair sponsors and the vital support provided by Metro United Way to our four youth-serving Learning Centers, Heverin House Transitional Shelter and other programs that serve homeless persons.

**Louisville as a Learning Community ...** New Directions successfully influenced its national partner, NeighborWorks America, to choose Louisville for its weeklong Training Institute in early May 2014. With 2,500 attendees, Louisville NTI was the 11th largest convention in our city last year and the largest group assembled for a Training Institute—a \$3 million boost to the local economy. Favorable outcomes from the event have resulted in two additional Louisville-sited conferences in October 2015 and August 2018.

**Dream Builders Update ...** The Dream Builders Campaign continues, bringing more volunteers and financial partners to the high-impact programs of New Directions. The two-year total of received gifts and multi-year pledges to the campaign exceed \$400,000. We are grateful to our Dream Builder donors who endorse our values for the work we do by their generosity.

I am pleased to bring this very positive report to you.

Sincerely,



Joseph E. Gliessner, Jr., CEO  
New Directions Housing Corporation

December 2, 2014

# HENSON & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS  
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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
New Directions Housing Corporation and Subsidiaries  
1000 E. Liberty Street  
Louisville, Kentucky 40204

We have audited the accompanying consolidated financial statements of New Directions Housing Corporation (a non-profit corporation) and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated Statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly,

we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of New Directions Housing Corporation (a non-profit corporation) and Subsidiaries, as of June 30, 2014, and the consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and of Non-Profit Organizations, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued a report dated December 2, 2014 on our consideration of New Directions Housing Corporation's (a non-profit corporation) 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 New Directions Housing Corporation's internal control over financial reporting and compliance.



HENSON & ASSOCIATES  
Certified Public Accountants

Louisville, Kentucky  
December 2, 2014

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014

Assets

Cash		2,457,885.04
Cash - Restricted by Grant		600,864.84
Receivables		
Accounts Receivable, net	652,337.85	
Notes and Mortgages Receivable, net	1,664,613.00	
Unconditional Promises to Give, net	303,851.44	
Notes Receivable - Neighborhood Reinvestment Capital Fund	<u>1,131,972.00</u>	3,752,774.29
Prepaid Expenses		110,075.84
Other Assets		4,109,210.81
Property and Equipment, net		<u>21,371,683.38</u>
Total Assets		<u>32,402,494.20</u>

Liabilities

Accounts Payable		266,915.75
Accrued Expenses		814,091.39
Deferred Revenue		11,028.45
Deferred Revenue - NSP Projects		303,456.57
Short Term Debt		2,471,734.26
Other Liabilities		122,703.19
Long Term Debt		<u>12,224,930.42</u>
Total Liabilities		16,214,860.03

Net Assets

Unrestricted		
Operating	12,736,544.92	
Contractually Designated	1,420,983.81	
Temporarily Restricted	142,692.44	
Permanently Restricted	<u>1,887,413.00</u>	<u>16,187,634.17</u>
Total Liabilities and Net Assets		<u>32,402,494.20</u>

See Notes to Financial Statements.

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenues, Gains and Other Support				
Contributions	248,853.69	186,945.69		435,799.38
Rent Income	5,528,579.05			5,528,579.05
Grant Income - Operations	2,198,362.29		105,000.00	2,303,362.29
Maintenance, Management and Other Fees	928,292.27			928,292.27
Interest Income	405,410.83			405,410.83
Miscellaneous	215,966.33			215,966.33
Net Assets Released from Restriction	<u>382,660.17</u>	<u>(184,614.17)</u>	<u>(198,046.00)</u>	<u>.00</u>
	9,908,124.63	2,331.52	(93,046.00)	9,817,410.15
Expenses				
Program Expenses	8,777,254.57			8,777,254.57
Supporting Expenses				
Management and General	261,302.70			261,302.70
Fundraising	281,163.27			281,163.27
Loss on Demolition of Property	<u>180,502.36</u>			<u>180,502.36</u>
Total Expenses	<u>9,500,222.90</u>			<u>9,500,222.90</u>
Increase (Decrease) in Net Assets	407,901.73	2,331.52	(93,046.00)	317,187.25
Less Distributions	(1,494.07)			(1,494.07)
Beginning Net Assets	<u>13,751,121.07</u>	<u>140,360.92</u>	<u>1,980,459.00</u>	<u>15,871,940.99</u>
Ending Net Assets	<u>14,157,528.73</u>	<u>142,692.44</u>	<u>1,887,413.00</u>	<u>16,187,634.17</u>

See Notes to Financial Statements.



NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014

Cash Flows from Operating Activities:

Increase in Net Assets 317,187.25

Adjustments to Reconcile Increase in Net Assets to  
Net Cash Provided by Operating Activities:

Depreciation and Amortization	1,213,419.39	
Non Cash Operating Items		
Gain on Disposal of Assets	187,729.79	
Related Entities Profit Allocation	(147,913.53)	
Debt Forgiven - Forgivable Mortgage	(194,808.00)	
Interest Deferred Added to Principal	3,518.26	
Contract Acquisition Costs	(596,615.32)	
Appraisal Markup Market Street Property	(111,322.19)	
(Increase) Decrease Promises to Give	(163,490.52)	
(Increase) Decrease Accounts Receivable	780,600.73	
(Increase) Decrease Prepaid Expenses	36,904.21	
(Increase) Decrease Grant Construction in Progress	363,538.60	
(Decrease) Increase Accounts Payable	(286,471.40)	
(Decrease) Increase Accrued Expenses	(142,855.03)	
(Decrease) Increase Deferred Revenue	(6,803.89)	
(Decrease) Increase Other Liabilities	(43,674.42)	
(Decrease) Increase Deferred Revenue - NSP Projects	<u>303,456.57</u>	
Total Adjustments		<u>1,195,213.25</u>
Net Cash Provided by Operating Activities		1,512,400.50

Cash Flows from Investing Activities:

Financing Fees Paid	(15,000.00)	
Repayment of Notes and Mortgages Receivable	473,858.02	
Security Deposit Refund/Payment	(8,030.00)	
Investment Activity - Partnerships/Corporations	143,423.00	
Capital Expenditures	(1,507,532.53)	
Deposits into Reserves/Escrows	(457,311.38)	
Releases from Reserves/Escrows	634,533.00	
Cash Released from Grant	<u>212,716.93</u>	
Net Cash Used by Investing Activities		(523,342.96)

Cash Flows from Financing Activities:

Distribution to Owners - For Profit Partnerships	(1,494.07)	
Borrowings on Notes and Mortgages	525,320.14	
Repayments of Notes and Mortgages	<u>1,112,236.79</u>	
Net Cash Used by Financing Activities		<u>(588,410.72)</u>

Net Increase in Cash 400,646.82

Cash at Beginning of Year 2,057,238.22

Cash at End of Year 2,457,885.04

Supplementary Cash Flow Disclosure  
Cash Interest Paid 769,246.10

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE I: Significant Accounting Policies

A. Nature of Activities

New Directions Housing Corporation (New Directions) (Organization) was organized as a non-profit entity as prescribed under Internal Revenue Code Section 501(c)(3), and is exempt from federal and state income taxes as other than a private foundation.

New Directions is involved in the following activities all of which are located in the Louisville, Kentucky metropolitan area, which includes Floyd and Clark counties in Southern Indiana.

- A) Building and developing multi-family housing communities for low and moderate income families.
- B) Management of housing communities for households of low and moderate income.
- C) Sheltering and aiding homeless single-parent families.
- D) Delivering supportive services, including service coordination and youth educational services to benefit families of low and moderate income.
- E) Repairing homes owned by elderly and physically disabled persons.
- F) Providing training and consulting services to grassroots neighborhoods groups, as a vehicle of community development.
- G) Building and renovating single family housing for low and moderate income home owners.

B. Property and Equipment

Property and Equipment is stated at cost, unless otherwise noted below. Depreciation is calculated using the straight line method over the estimated useful life of the item. Items costing \$2,000.00 or more are capitalized. Donated items are recorded at fair market value at time of donation. Property and Equipment consists of the following:

Land	2,383,805.56
Buildings	29,543,166.28
Equipment	1,197,318.63
Vehicles	<u>6,143.00</u>
	33,130,433.47
Accumulated Depreciation	<u>(11,758,750.09)</u>
Property and Equipment	<u>21,371,683.38</u>

The following lives are used for depreciation purposes:

Buildings	27-39 years
Equipment	5-10 years
Vehicles	5-7 years

C. Third Party Reimbursement Arrangements

The following are the major revenue sources which are considered third party reimbursement arrangements:

1. Section 8 Rent Supplements - Under a Housing Assistance Program contract, the Organization receives rent supplements from the U.S. Department of H.U.D. for tenants residing in low income housing units. These contracts are annual contracts unique to each low income complex. These units are regulated by H.U.D. with respect to rental charges and operating methods. Rent supplements received were \$4,440,032.00 for the fiscal year ended June 30, 2014.
2. Supportive Housing Program - Under contract with HUD the Organization provides housing to qualified single parent families who are attempting to establish their independence. The organization is reimbursed for costs associated with housing, counseling and administration. The contract with the U.S. Department of H.U.D. is for one year beginning July 1, 2013 . The contract total is \$59,355.00. The funding totaled \$59,355.00 for the fiscal year ended June 30, 2014.
3. Neighborhood Stabilization Program (NSP) - Under contracts with the City of New Albany, Indiana, a subgrantee to Indiana Housing and Community Development Authority, and Louisville Metro Government, the Organization has undertaken significant community stabilization activities using U.S. Department of Housing and Urban Development NSP I funds to acquire, develop or rehabilitate vacant and abandoned single family housing in focus neighborhoods. Upon project completion, high quality affordable homes will be marketed to qualified buyers, who will be encouraged to secure extensive housing counseling preparation. Reimbursable costs include acquisition, construction, developer fees, home ownership counseling and program delivery fees. Program activities began in April 2010, reaching \$8,287,677.00 in expenditures by June 30, 2014. Grant funds of over \$6.4 million with New Albany \$2,575,000.00 in Louisville will yield development fees in excess of \$966,000.00.

D. Allowance for Doubtful Accounts

The balance in tenant receivables includes only current tenants and are deemed fully collectible by management. Management has reviewed receivables from related entities and has determined that there are amounts doubtful of collection. (See Note II) Management believes all other receivables are collectible.

E. Estimates and Assumptions

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

F. Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as highly liquid debt instruments with a maturity of three months or less when purchased. There were no cash equivalents at June 30, 2014.

G. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions. Contributions are reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

H. Donor-Imposed Restrictions

The Organization records and reports its assets, liabilities, net assets, revenues, expenses, gains and losses, and other support based on the existence or absence of donor-imposed restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions of donated noncash assets are recorded at their fair market values in the period received.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets

and reported in the consolidated statement of activities as net assets released from restrictions. The Organization treats donor restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

The Organization reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

I. Functional Allocation of Expenses

The costs of providing the programs and supporting services have been presented on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefitted.

J. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

K. Principles of Consolidation

The consolidated financial statements include the accounts of New Directions and three LLC's, (the "Broadstreet" properties), which are each 99% owned by New Directions Housing Development, LLC whose only asset is its ownership in these entities: Directions Apartments LLC; Shawnee Apartments LLC; and Russell Apartments LLC. All material inter-organization transactions have been eliminated in consolidation.

L. Acquired Intangible

As part of the "Broadstreet" properties transaction, New Directions acquired the rights to manage the properties. This right is considered to have an indefinite useful life and is not being amortized. Management believes the fair value of this asset approximates its carrying value.

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

M. Income Taxes

The Organization and all consolidated affiliates are exempt from federal and state income taxes as not for profit organizations or partnerships. The Organization's open audit periods are June 30, 2010 to present.

In June 2006, the Financial Accounting Standards Board issued ASC 740-10 (formerly known as FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes), which prescribed a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization adopted ASC 740-10 as of July 1, 2009. There was no impact to the Organization's consolidated financial statements as a result of the implementation of ASC 740-10.

NOTE II: Accounts Receivable

Related Entities - Managed Properties

Jackson Woods Apartments, LLLP	283,696.76
St. William Apartments, LLLP	18,553.40
O'Connor Square Ltd.	226,730.04
Less: Allowance for Bad Debts	(203,864.48)
St. John Gardens, Inc.	8,693.83
New Visions Residential Services, Inc.	69,692.51
Less: Allowance for Bad Debts	(58,200.00)
Developers Fees	89,558.81
Less: Allowance for Bad Debts	<u>(89,558.81)</u>
	345,302.06

Other Receivables

Managed Properties	14,051.58
Tenant Related Receivables	14,515.97
Section 8 Subsidy Receivable	20,735.14
Miscellaneous Receivables	22,210.94
Grants Receivable	<u>235,522.16</u>
	<u>307,035.79</u>
	<u>652,337.85</u>

The managed properties' balances reflect charges for management and maintenance performed by New Directions' personnel plus minor charges for material purchased by New Directions and cash advances to cover operating deficits of the properties. The cash advances are non-interest bearing and unsecured.

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

NOTE III: Notes and Mortgages Receivable

Mortgage Receivable - Jackson Woods Apartments, LLLP	1,079,208.00
Mortgage Receivable - St. William Apartments, LLLP	582,000.00
Notes/Accounts Receivable - Solidarity Fund	<u>3,405.00</u>
	<u>1,664,613.00</u>

See additional information regarding Jackson Woods Apartments, LLLP and St. William Apartments, LLLP in Note X (e) and (f).

NOTE IV: Unconditional Promises to Give

Unconditional promises to give consist of the following:

Unrestricted Promises	238,159.00
Less allowance for doubtful accounts	(77,000.00)
Repair Affair	1,000.00
Learning Centers	71,540.24
Transitional Services	<u>70,152.20</u>
	<u>303,851.44</u>

The promises to give are due as follows:

Fiscal Year ended :

6/30/15	174,191.44
6/30/16	44,320.00
6/30/17	42,620.00
6/30/18	<u>42,720.00</u>
	<u>303,851.44</u>

Management believes the fair value of promises to give approximates their carrying value.

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

NOTE V: OTHER ASSETS

	New Directions Housing Corporation	Directions Apartments LLC	Russell Apartments LLC	Shawnee Apartments LLC	Eliminations	Total
Tenant Security Deposits	71,252.42	13,483.88	25,200.20	19,446.79		129,383.29
Mortgage Escrow Deposits	11,428.10	3,129.30	4,103.07	9,603.82		28,264.29
Replacement Reserve	654,061.41	255,111.47	355,506.14	121,360.40		1,386,039.42
Investments - Corporations	5,908.00					5,908.00
Investments - Partnerships	(163,861.58)				808,113.55	644,251.97
Financing Fees	178,235.04	10,675.00	17,944.78	20,819.00		227,673.82
Amortization - Financing Fees	(98,197.50)	(3,974.17)	(3,446.70)	(7,749.43)		(113,367.80)
Management Rights	1,201,650.90					1,201,650.90
Contract Acquisition Costs	596,615.32					596,615.32
Amortization						
- Contract Acquisition Costs	(7,457.69)					(7,457.69)
Syndication/Partnership Fees	14,100.00					14,100.00
Amortization						
- Syndication/Partnership Fees	(8,111.88)					(8,111.88)
Organization Costs	69,267.19					69,267.19
Amortization - Organization	(65,006.02)					(65,006.02)
	<u>2,459,883.71</u>	<u>278,425.48</u>	<u>399,307.49</u>	<u>163,480.58</u>	<u>808,113.55</u>	<u>4,109,210.81</u>



NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

NOTE VI: Notes and Mortgages Payable

<u>Mortgagor</u>	<u>Current Amount</u>	<u>Non-Current Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Collateral</u>
Berkadia Mortgage Capital, Inc.	5,614.59	313,855.06	5.75%	02/01/40	Smoketown Apartments, LLC
HUD - Flexible Subsidy Loan	.00	31,821.34	1.00%	02/01/40	Smoketown Apartments, LLC
Louisville/Jefferson County Metro Government	.00	237,099.70	.00%	12/31/28	Parkland I
Metropolitan Housing Coalition	.00	350,000.00	4.00%	06/30/16	Unsecured
Red Mortgage Capital, Inc.	24,519.17	668,521.16	4.2%	06/01/33	Russell Apartments -First Mortgage
Red Mortgage Capital, Inc.	48,682.23	1,655,637.87	6.25%	06/01/33	Shawnee Apartments -First Mortgage
Red Mortgage Capital, Inc.	24,961.95	848,933.21	6.25%	06/01/33	Directions Apartments -First Mortgage
Community Housing Capital	600,000.00	.00	6.50%	08/31/14	Brandeis Apartments
Federation of Appalachian Housing Enterprises, Inc.	11,500.00	.00	5.25%	01/31/15	Heverin House
Fifth Third Bank	.00	750,000.00	3.23%	07/19/15	Unsecured
Community Housing Capital	502,000.00	.00	6.00%	04/01/16	Roosevelt Apartments
Louisville/Jefferson County Metro Government	.00	513,333.92	2.00%	02/23/26	Brandeis Apartments

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

Louisville/ Jefferson County Metro Government	.00	521,000.00	1.00%	02/24/26	Brandeis Apartments
Louisville/ Jefferson County Metro Government	.00	485,833.00	.00%	01/01/27	St. William Apartments
Louisville/ Jefferson County Metro Government	.00	643,000.00	.00%	01/01/26	Jackson Woods Apartments
Louisville/ Jefferson County Metro Government	.00	1,610,673.78	1.00%	06/01/33	Directions Apartments -Second Mortgage
Red Mortgage Capital, Inc.	28,473.59	1,251,630.46	3.20%	08/01/42	Reeser Court Apartments
PNC CPI SUB-CDE IV-1 LLC - Loan A	1,152,000.00	.00	5.5626%	05/01/15	First Mortgage and Security Agreement
PNC CPI SUB-CDE IV-1 LLC - Loan B	.00	310,000.00	5.5626%	05/01/23	Second Mortgage and Security Agreement
PNC Bank	23,982.73	856,811.48	5.50%	05/01/18	St. Edward Apartments
Ky NWA Alliance, LLC	.00	600,000.00	2.00%	09/01/15	Unsecured
Shelby Park Neighborhood Association	50,000.00	.00	2.00%	12/28/14	Unsecured
Louisville/ Jefferson County Metro Government	.00	176,779.44	.00%	08/06/19	1506-1508 Market Street
City Of New Albany Redevelopment Commission	.00	400,000.00	6.50%	10/24/15	St. Edward Apartments
	<u>2,471,734.26</u>	<u>12,224,930.42</u>			

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

Current Maturities of Long Term Debt: Fiscal Year Ended June 30,

2015	2,471,734.26
2016	2,268,838.06
2017	177,950.84
2018	916,593.55
2019	336,948.03

Notes and Mortgages Payable (Continued)

During the year New Directions acquired the property at 1506 and 1508 W. Market Street through the assumption of a mortgage of \$176,779.44 with the Louisville/Metro Jefferson County Government. The mortgage is a forgivable mortgage and should be forgiven on August 6, 2019.

The properties formerly known as Historic Parkland were restructured into Parkland I and Parkland II. Parkland I has a forgivable mortgage with Louisville/Metro Jefferson County Government for \$237,099.70 with interest at 0% and forgivable on December 31, 2028.

During the year the Organization secured a line of credit with the Federation of Appalachian Housing Enterprises, Inc. for \$750,000.00 with interest at 5.25%. As of June 30, 2014 the outstanding loan balance is \$11,500.00

NOTE VII: Temporarily & Permanently Restricted Assets

Temporarily Restricted Assets:	
Unconditional Promises to Give	<u>142,692.44</u>
Permanently Restricted Assets:	
Capital Grant Funds - NeighborWorks	<u>1,887,413.00</u>

NOTE VIII: Contractually Designated Assets

Hazard and Mortgage Insurance Escrows	28,264.29
Security Deposits	129,383.29
Replacement Reserves	1,386,039.42
Cash - NSP Project	<u>1,157,217.52</u>
	<u>2,700,904.52</u>

HUD regulations require that restricted funds be held in separate federally insured accounts which are not available for operating purposes.

Contractually Designated Liabilities

The contractually designated liabilities are comprised of the following:

Unearned Revenue - NSP Project	1,157,217.52
Security Deposits	<u>122,703.19</u>
	<u>1,279,920.71</u>

This liability offsets the amounts held in the contractually designated asset accounts.

Contractually designated net assets are:	
Contractually Designated Assets	2,700,904.52
Contractually Designated Liabilities	<u>(1,279,920.71)</u>
Contractually Designated Net Assets	<u>1,420,983.81</u>

NOTE IX: Related Party Transactions

New Directions acts as management agent for other non profit corporations which have the same board of directors. New Directions bills these other entities for repairs and maintenance, management fee, resident manager fees, bookkeeping fees and other fees. The following amounts, by entity, are included on the consolidating statement of activities for New Directions.

St. John Gardens, Inc.	44,976.52
Clifton Court Apartments, Inc.	26,756.52

New Directions also collects from partnerships, in which it is the general partner, fees for repairs and maintenance, management, resident manager and bookkeeping.

Jackson Woods Apartments, LLLP	118,058.87
St. William Apartments, LLLP	109,271.93
O'Connor Square, Ltd.	120,775.27

NOTE X: Partnership Interests/Related Party Developer Fees

New Directions accounts for its investment in partnerships under the equity method, that is, its cost of investments is increased or decreased annually by its share of the partnership's gain or loss. New Directions total investment in partnerships is \$644,251.97 at June 30, 2014. These amounts are included in other assets on the consolidated statement of financial position.

(a) O'Connor Square, Ltd.

New Directions is the .01% general partner in this limited partnership. This partnership owns and operates a multi-family housing

complex. This partnership, per the partnership agreement, will dissolve and terminate on December 31, 2050. New Directions capital contributions total \$45,156.65 to date. Developers fees earned in the fiscal year ended June 30, 2001 totaled \$361,157.00 and \$273,709.55 has been paid to date. The remaining fee, \$89,558.61, will be paid on the occurrence of specific objectives outlined in the partnership agreement. See Note II regarding the allowance for bad debts related to this fee.

New Directions has an obligation to loan the partnership funds to cover operating deficits, such loan is not to exceed \$185,000.00. See Note II for the amount loaned to date and the corresponding allowance for bad debts.

(b) St. Edward Court

On February 28, 2013 New Directions acquired the ownership interest of the limited partner. As a result, New Directions is the sole owner of this complex.

(c) Directions Apartments, LLC; Shawnee Apartments, LLC; Russell Apartments, LLC.

On April 29, 2003 these three LLC's acquired a group of properties known as "Broadstreet Properties". New Directions is a 99% member in each of these LLC's through its wholly owned, single member LLC named New Directions Housing Development, LLC. See Note I for information regarding the consolidation of these LLC's in the financial statements of New Directions.

(d) Smoketown Apartments, LLC

During a prior fiscal year, Smoketown Housing Improvements Corporation, underwent a mark to market transaction. As a result of this, New Directions became the sole owner of this complex by virtue of its being the single member of the LLC.

(e) Jackson Woods Apartments, LLLP

On May 13, 2010 New Directions sold the Jackson Woods Apartments housing complex. New Directions is the general partner in this partnership through its single member LLC, Jackson Woods Apartments NDHC GP, LLC.

New Directions has a seller note receivable in the amount of \$1,018,180.00 bearing interest of 5.0% per annum compounded annually. The note is due in one installment of principal and all unpaid interest on December 31, 2041. A portion of this note, \$778,972.00, is from the permanently restricted Neighborhood Reinvestment Capital Fund and will be repaid to that fund when paid. New Directions through its single member LLC, NDHC Development LLC,

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

will receive a developer's fee in the total amount of \$800,000.00 to be earned upon a schedule as outlined in the developer agreement but 100% shall be deemed earned upon completion of the rehabilitation of the project. The project is complete and all of the developer fees have been paid as of June 30, 2014.

New Directions has also loaned Jackson Woods Apartments, LLLP \$840,000.00 at an interest rate of 1% due on December 31, 2041. New Directions has a third mortgage as security.

Following is a breakdown of the New Directions portion of Jackson Woods Apartments, LLLP mortgages receivable as shown in Note III:

Total Seller Mortgage	1,018,180.00
Portion Due to Neighborhood Reinvestment Capital Fund	<u>(778,972.00)</u>
	239,208.00
Third Mortgage	<u>840,000.00</u>
	<u>1,079,208.00</u>

(f) St. William Apartments, LLLP

On June 15, 2010 New Directions sold the St. William Apartments housing complex. New Directions is the general partner in this partnership through its single member LLC, St. William Apartments NDHC GP LLC. NDHC sold this property for \$610,500.00, receiving \$257,500.00 cash at closing and a seller note in the amount of \$353,000.00. The note bears interest at 5.0% per annum compounded annually. The note is due in one installment of principal and all unpaid interest on December 31, 2040. All of this note, \$353,000.00, is from the permanently restricted Neighborhood Reinvestment Capital Fund and will be repaid to that fund when paid. New Directions through its single member LLC, NDHC Development LLC, will receive a developer's fee in the total amount of \$450,000.00 to be earned upon a schedule as outlined in the developer agreement but 100% shall be deemed earned upon completion of the project. The project was complete as of June 30, 2011 and all of the developer fees have been paid as of June 30, 2014.

New Directions has also loaned St. Williams Apartments, LLLP \$582,000.00 at an interest rate of 1% due on December 31, 2040. New Directions has a third mortgage as security.

(g) Reeser Court Apartments, LLC

During a prior fiscal year, Reeser Court Apartments, underwent a mark to market transaction. As a result of this, New Directions became the sole owner of this complex by virtue of being the single member of the LLC.

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2014

(h) Kentucky NWA Alliance, LLC

On September 30, 2012 New Directions received a grant from the Kentucky Housing Corporation for \$600,000.00. This grant was to be used to prevent foreclosures and reduce the effects of the foreclosure crisis. New Directions and the four other entities that received the grant funds formed the Kentucky NWA Alliance, LLC that is to manage the grant funds. New Directions contributed the \$600,000.00 to the LLC for a 20% interest.

The LLC loaned \$600,000.00 to New Directions and these funds are used to fund the various NSP projects. The loan is due on September 1, 2015 and the interest is paid at 2%.

NOTE XI: Contingency

The Smoketown Apartments project has a contract with the U.S. Dept. of H.U.D. which provides housing assistance payments to qualified individuals. The following is a listing:

Contract #	Termination Date	Annual Commitment
KY36-L000-005	January 31, 2030	65,770.00

The Brandeis Apartments project has a contract with the U.S. Department of H.U.D. which provides housing assistance payments to qualified individuals. The following is a listing:

Contract #	Termination Date	Annual Commitment
KY36-L000-006	September 30, 2015	317,376.00

The Reeser Court Apartments project has a contract with the U.S. Department of H.U.D. which provides housing assistance payments to qualified individuals. The following is a listing:

Contract #	Termination Date	Annual Commitment
KY36-H134-039	August 1, 2014	407,556.00

If these contracts are not renewed and the projects suffer a decline in rental income, then the carrying value of their assets would be impaired and the ability of the projects to continue as a going concern would be in doubt.

NOTE XII: Concentration of Credit Risk

The Organization has at various times during the year amounts on deposit that are in excess of FDIC coverage.

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE XIII: Donated Goods and Services

New Directions receives donated goods and services for use in its program services. These goods and services are valued at equivalent purchase costs and have been recorded as contribution income and program service costs or fixed assets. As of June 30, 2014, no contribution received met these requirements.

NOTE XIV: Litigation

The Organization is exposed to various asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the Organization's financial position or the results of operations and should be covered by insurance.

NOTE XV: Qualified Low Income Community Investment (QLICI) Loan

The Organization entered into two QLICI loans on May 1, 2008 with PNC CPI SUB-CDE IV-1 LLC under the New Markets Tax Credit Program. These loans have numerous covenants and restrictions of which the following are most significant:

1. Loan A is interest only for seven years and is to be renegotiated at that point.
2. Loan B is interest only for fifteen years and is subject to a put option at that point.
3. Loan A and B have mortgages and security interests in the Organization's headquarters property at 1000 E. Liberty Street and its maintenance facilities at 2100 Woodlawn Avenue and all furniture and fixtures therein and rent collected therefrom.
4. These loans have a Leverage Ratio that must be maintained at all times. The ratio shall be the ratio of total debt of borrower divided by the borrower's unrestricted net assets shown in its consolidated financial statements, this ratio shall be less than or equal to 6.50 to 1.00. This ratio is 1.04 at June 30, 2014.
5. These loans are subject to a Recapture Indemnification Agreement if the borrower's project business fails to meet the requirements of a Qualified Active Low Income Community Business.



NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

NOTE XVI: Schedule of Functional Expenses (Unconsolidated)

	-----Program Services-----											
	Management and General	Fundraising	Real Estate Development	Home Ownership Preservation	Community Building & Organization	Asset and Property Management	Rental Properties	Resident Services	Sub Total	Interdivisional Eliminations	Total	Total
Personnel Costs	242,242.82	142,111.74	279,984.67	284,014.89	34,090.46	1,878,366.94		332,343.56	3,193,154.88		3,193,154.88	
Advertising and Printing	1,208.12	15,499.40	12.00	10,196.92	1,661.17	99.35			28,676.96		28,676.96	
Staff and Management Fees									280,557.10	(280,557.10)		
Office Supplies and Expenses	38,190.14	6,856.57	3,919.61	4,260.04	110.95	10,888.53		10,746.37	82,874.91		82,874.91	
Telephone/Communications	26,959.61	480.00	660.00	5,247.10	360.00	5,042.05		3,631.53	58,532.03		58,532.03	
Legal and Accounting Fees	6,090.20		3,535.01	4,197.26		19,287.69		56,995.85	90,106.01	(24,684.00)	65,422.01	
Dues and Publications	2,390.06	1,185.15	81.00	24.99	4,647.33	2,075.00		1,805.75	14,969.36		14,969.36	
Professional Development												
/Conferences	23,879.28	11,252.32	1,672.76	4,584.69	5,514.79	13,565.50		8,453.13	70,149.58		70,149.58	
Utilities	23,041.04					10,603.14		16,563.16	284,306.79		284,306.79	
Maintenance and Repairs	37,596.84	916.85	3,535.52	1,162,042.43	355.57	11,742.89		29,715.36	1,685,833.92	(179,954.60)	1,505,879.32	
Transportation	2,611.26		3,575.22	4,989.51	228.81	36,642.70		3,786.79	62,796.70		62,796.70	
Depreciation	55,295.00					9,040.56		546,524.71	634,349.21		634,349.21	
Insurance	16,843.39		489.17	596.96		17,848.40		2,040.76	119,400.54		119,400.54	
Interest	124,689.47		6,500.01			17,401.79		27.53	384,631.09		384,631.09	
Real Estate Taxes	19,281.25								49,826.43		49,826.43	
Events/Volunteer Expenses	443.83	11,604.89	71.10	1,079.95	10,121.79			11,217.88	34,539.44		34,539.44	
Other Expenses	5,848.20	1,477.35	5,623.95	14,699.80	44.00	21,853.40		10,530.73	126,590.92		126,590.92	
Facility Expense Allocation	81,058.31	12,129.00	34,666.28	42,109.79	7,753.32	254,709.97		43,912.03	512,044.02		512,044.02	
Total Facility Expenses	(512,044.02)								(512,044.02)		(512,044.02)	
Bad Debts	57,322.18	77,000.00	28,000.00						162,322.18		162,322.18	
Incentive Performance Fee									18,510.36		18,510.36	
Housing Assistance									924.22		924.22	
Direct Assistance	15,335.54	650.00			5,947.37	93.25		33,519.14	33,519.14		33,519.14	
Contract Services	268,282.52	281,163.27	372,326.30	1,538,044.13	70,835.56	2,309,261.66		532,706.88	7,438,658.43	(485,195.70)	6,953,462.73	
Eliminations by Function	(6,979.82)		(382.80)			(3,478.08)		(1,538.24)	(485,195.70)		(485,195.70)	
	261,302.70	281,163.27	371,943.50	1,538,044.13	70,835.56	2,305,783.58		531,168.64	6,953,462.73		6,953,462.73	
Loss on Demolition of Property												180,502.36
Total Expenses												7,133,965.09

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

NOTE XVII: NeighborWorks America Grant

NeighborWorks America DBA Neighborhood Reinvestment Corporation provided \$234,000.00 in capital and expendable grants during the year for making loans and for capital projects and core organizational expenses. \$105,000.00 is permanently restricted although proceeds on capital projects and interest earned over and above the corpus may be transferred to unrestricted net assets for furthering the mission of New Directions. However, should New Directions become defunct, all remaining grant funds, interest earnings, capital project proceeds, and loan and capital project portfolios representing the use of these funds will revert to Neighborhood Reinvestment Corporation.

<u>Project</u>	<u>Amount Due</u>	<u>Interest Rates</u>	<u>Terms</u>
Smoketown Shelby Park Revitalization Project	64,959.00 *	6%	One payment due March 26, 2010, interest due monthly
Smoketown Shelby Park Revitalization Project	75,000.00 *	0%	Payments of \$5000.00 due semi-annually maturing on July 1, 2015
Jackson Woods Apartments, LLLP	778,972.00	0%	Payments due when project has sufficient funds
Roosevelt Apartments	400,000.00 *	0%	Payments due when project has sufficient funds
St. William Apartments, LLLP	353,000.00	0%	Payments due when project has sufficient funds
Brandeis Apartments	<u>256,182.64</u> *	0%	Payments due when project has sufficient funds
	1,928,113.64		
Less: Internal Loans	<u>(796,141.64) *</u>		
	<u>1,131,972.00</u>		

NEW DIRECTIONS HOUSING CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (UNCONSOLIDATED)  
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Section 8 - Low Income Housing	14.195		912,972
HUD Guaranteed Mortgage	14.139		319,470
Capital Improvement Loan	14.164		52,233
Transitional Housing Demonstration Program	14.235		44,347
S.A.F.A.H.	14.235		59,355
Service Coordinator	14.191		44,282
CDBG	14.218		23,418
CDBG	14.228		168,525
CDBG	14.225		659,316
HUD Guaranteed Loans	14.248		<u>1,596,097</u>
Total U.S. Department of Housing and Urban Development			<u>3,880,015</u>
U.S. Department of Treasury Neighborhood Reinvestment Capital Fund	21.020		<u>264,914</u>
Total U.S. Department of Treasury			<u>264,914</u>
Total Expenditures of Federal Awards			<u>4,144,929</u>

See Notes to Financial Statements.

NEW DIRECTIONS HOUSING CORPORATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (UNCONSOLIDATED)  
FOR THE YEAR ENDED JUNE 30, 2014

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of New Directions Housing Corporation and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

OTHER REPORTS

# HENSON & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS  
PROFESSIONAL LIMITED LIABILITY CORPORATION

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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

To the Board of Directors  
New Directions Housing Corporation

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 New Directions Housing Corporation (a nonprofit organization), which comprise the consolidated statement of financial position as of ended June 30, 2014, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 2, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Directions Housing Corporation's internal control over financial reporting (internal control) to determine 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 New Directions Housing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the New Directions Housing Corporation's internal control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

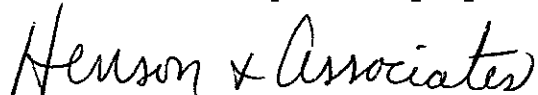
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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



HENSON & ASSOCIATES

Louisville, Kentucky  
December 2, 2014

# HENSON & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS  
PROFESSIONAL LIMITED LIABILITY CORPORATION

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INDEPENDENT'S AUDITOR REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors  
New Directions Housing Corporation

We have audited New Directions Housing Corporation's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of New Directions Housing Corporation's major federal programs for the year ended June 30, 2014. New Directions Housing Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of New Directions Housing Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and the OMB Circular A-133 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 New Directions Housing Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide legal determination of New Directions Housing Corporation's compliance.

#### Opinion on Each Major HUD Program

In our opinion, New Directions Housing Corporation 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 June 30, 2014.

#### Report on Internal Control Over Compliance

Management of New Directions Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered New Directions Housing Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 New Directions Housing Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing, based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Henson & Associates*

HENSON & ASSOCIATES  
Certified Public Accountants

Louisville, Kentucky  
December 2, 2014

NEW DIRECTIONS HOUSING CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of New Directions Housing Corporation.
2. No material weaknesses were identified during the audit of the New Directions Housing Corporation financial statements.
3. No instances of noncompliance material to the financial statements of New Directions Housing Corporation were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for New Directions Housing Corporation expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for New Directions Housing Corporation are reported in Part C. of this Schedule.
7. The programs tested as major programs included:

<u>CFDA No.</u>	<u>Name</u>
14.164	HUD Capital Improvement Loan
14.139	HUD Guaranteed Mortgage
14.248	HUD Guaranteed Loans
14.218	CDBG
14.228	CDBG
14.239	Home Funds

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. New Directions Housing Corporation was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

SUPPLEMENTAL INFORMATION

# HENSON & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS  
PROFESSIONAL LIMITED LIABILITY CORPORATION

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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors  
New Directions Housing Corporation and Subsidiaries

Our report on our audit of the basic consolidated financial statements of New Directions Housing Corporation (a not-for-profit corporation) and Subsidiaries as of June 30, 2014 appears on pages 1 through 2. The audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplemental information on pages 32-42 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.



HENSON & ASSOCIATES  
Certified Public Accountants

December 2, 2014

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014

	New Directions Housing Corporation	Directions Apartments LLC	Russell Apartments LLC	Shawnee Apartments LLC	Eliminations and Adjustments	Totals
<b>Assets</b>						
Cash	1,615,834.14	33,513.39	325,134.03	483,403.48		2,457,885.04
Cash - Restricted by Grant	600,864.84					600,864.84
Receivables						
Accounts Receivable, net	873,625.98	1,768.15	14,453.21	7,794.77	(245,304.26)	652,337.85
Notes and Mortgages Receivable, net	9,493,586.90				(7,828,973.90)	1,664,613.00
Unconditional Promises to Give	303,851.44					303,851.44
Notes Receivable	1,131,972.00					1,131,972.00
NeighborWorks	26,528.63	19,555.97	29,649.99	34,341.25		110,075.84
Prepaid Expenses	2,459,883.71	278,425.48	399,307.49	163,480.58	808,113.55	4,109,210.81
Other Assets	10,737,158.76	2,111,734.07	4,799,235.40	3,723,555.15		21,371,683.38
Property and Equipment	27,243,306.40	2,444,997.06	5,567,780.12	4,412,575.23	(7,266,164.61)	32,402,494.20
<b>Liabilities</b>						
Accounts Payable	260,009.06	29,463.93	116,954.00	105,793.02	(245,304.26)	266,915.75
Accrued Expenses	527,902.35	189,338.84	29,165.53	67,684.67		814,091.39
Deferred Revenue	4,654.32	1,056.69	3,288.70	2,028.74		11,028.45
Deferred Revenue NSP Projects	303,456.57					303,456.57
Short Term Debt	1,321,571.01	24,961.95	88,808.17	48,682.23	(64,289.10)	3,221,734.26
Other Liabilities	65,739.06	13,139.88	24,875.59	18,948.66		122,703.19
Long Term Debt	8,493,164.40	2,459,606.99	5,165,036.46	4,923,807.37	(7,764,684.80)	11,474,930.42
<b>Total Liabilities</b>	10,976,496.77	2,717,568.28	5,428,128.45	5,166,944.69	(8,074,278.16)	16,214,860.03
<b>Net Assets</b>						
Unrestricted	14,236,704.19	(272,571.22)	139,651.67	(754,369.46)	808,113.55	14,157,528.73
Temporarily Restricted	142,692.44					142,692.44
Permanently Restricted	1,887,413.00					1,887,413.00
<b>Total Liabilities and Net Assets</b>	16,266,809.63	(272,571.22)	139,651.67	(754,369.46)	808,113.55	16,187,634.17
	27,243,306.40	2,444,997.06	5,567,780.12	4,412,575.23	(7,266,164.61)	32,402,494.20

See Independent Auditor's Report on Supplemental Information.

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
SCHEDULE II - CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

	New Directions Housing Corporation	Directions Apartments LLC	Russell Apartments LLC	Shawnee Apartments LLC	Eliminations and Adjustments	Totals
Revenues, Gains and Other Support						
Contributions	435,799.38					435,799.38
Rent Income	1,557,345.81	858,096.36	1,666,827.69	1,446,309.19		5,528,579.05
Grant Income - Operations	2,303,362.29					2,303,362.29
Maintenance, Management and Other Fees	1,971,116.94	14,695.45	15,353.63	17,508.72	(1,090,382.47)	928,292.27
Interest Income	404,681.78	233.68	406.55	88.82		405,410.83
Miscellaneous	<u>773,217.36</u>				<u>(557,251.03)</u>	<u>215,966.33</u>
Total Revenues, Gains and Other Support	7,445,523.56	873,025.49	1,682,587.87	1,463,906.73	(1,647,633.50)	9,817,410.15
Expenses						
Program Services	6,410,996.76	809,516.65	1,344,191.68	1,302,931.95	(1,090,382.47)	8,777,254.57
Supporting Services						
Management and General	261,302.70					261,302.70
Fundraising	281,163.27					281,163.27
Loss on Demolition of Property	<u>180,502.36</u>					<u>180,502.36</u>
Total Expenses	<u>7,133,965.09</u>	<u>809,516.65</u>	<u>1,344,191.68</u>	<u>1,302,931.95</u>	<u>(1,090,382.47)</u>	<u>9,500,222.90</u>
Increase (Decrease) in Net assets	311,558.47	63,508.84	338,396.19	160,974.78	(557,251.03)	317,187.25
Less: Distributions		(14,883.00)	(118,284.00)	(16,240.00)	147,912.93	(1,494.07)
Beginning Net Assets	<u>15,955,251.16</u>	<u>(321,197.06)</u>	<u>(80,460.52)</u>	<u>(899,104.24)</u>	<u>1,217,451.65</u>	<u>15,871,940.99</u>
Ending Net Assets	<u>16,266,809.63</u>	<u>(272,571.22)</u>	<u>139,651.67</u>	<u>(754,369.46)</u>	<u>808,113.55</u>	<u>16,187,634.17</u>

See Independent Auditor's Report on Supplemental Information.

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES  
SCHEDULE III - CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014

	New Directions Housing Corporation	Directions Apartments LLC	Russell Apartments LLC	Shawnee Apartments LLC	Eliminations and Adjustments	Totals
Cash Flows from Operating Activities:						
Increase (Decrease) In Net Assets	311,558.47	63,508.84	338,396.19	160,974.78	(557,251.03)	317,187.25
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:						
Depreciation and Amortization	634,349.21	101,423.92	277,251.21	200,395.05	409,338.10	1,213,419.39
Non Cash Operating Items						
Related Entities Profit Allocation	(557,251.63)					(147,913.53)
Appraisal Markup Market Street Property	(111,322.19)					(111,322.19)
Debt Forgiven - Forgivable Mortgage	(194,808.00)					(194,808.00)
Interest Deferred Added to Principal	3,518.26	(1,016.00)		44,472.00	(43,456.00)	3,518.26
Gain on Disposal of Asset	187,729.79					187,729.79
Contract Acquisition Cost	(596,615.32)					(596,615.32)
(Increase) Decrease Promises to Give	789,421.69	10.18	(8,222.34)	(608.80)		780,600.73
(Increase) Decrease Accounts Receivable	25,689.08	(585.37)	9,415.53	2,384.97		36,904.21
(Increase) Decrease Prepaid Expenses	363,538.60					363,538.60
(Increase) Decrease Grant Construction in Progress	(305,378.83)	(10,377.01)	16,437.95	12,846.49		(286,471.40)
(Decrease) Increase Accounts Payable	(94,222.28)	(16,843.21)	(26,057.23)	(5,732.31)		(142,855.03)
(Decrease) Increase Accrued Expenses	(4,985.52)	(109.78)	(1,034.02)	(674.57)		(6,803.89)
(Decrease) Increase Deferred Revenue	303,456.57					303,456.57
(Decrease) Increase Deferred Revenue - NSP Projects	(40,693.75)	(878.38)	(930.56)	(1,171.73)		(43,674.42)
(Decrease) Increase Other Liabilities	238,335.16	71,624.35	256,860.54	251,911.10	365,882.10	1,195,213.25
Total Adjustments	550,493.63	135,133.19	605,256.73	412,885.88	(191,368.93)	1,512,400.50
Net Cash Provided by Operating Activities						
Cash Flows from Investing Activities:						
Financing Fees Paid	(15,000.00)					(15,000.00)
Repayment of Notes and Mortgages Receivable	473,858.02					473,858.02
Investment Activity - Partnerships/Corporations	143,423.00					143,423.00
Security Deposit Refund/Payment	(8,030.00)					(8,030.00)
Capital Expenditures	(859,416.00)	(198,486.82)	(449,629.71)	(64,929.98)		(1,507,532.53)
Deposits into Reserves/Escrows	(123,652.15)	(45,973.40)	(222,755.85)	(42,741.40)		(457,311.38)
Releases from Reserves/Escrows	343,120.78	58,668.55	190,002.27	42,741.40		634,533.00
Cash Released from Grant	212,716.93					212,716.93
Net Cash (Used) Provided by Investing Activities	167,020.58	(185,791.67)	(482,383.29)	(22,188.58)		(523,342.96)
Cash Flows from Financing Activities:						
Distribution to Owners		(14,883.00)	(118,284.00)	(16,240.00)	147,912.93	(1,494.07)
Borrowings on Notes and Mortgages	525,320.14					525,320.14
Repayments of Notes and Mortgages	(512,043.05)	(27,276.54)	(478,075.95)	(138,297.25)	43,456.00	(1,112,236.79)
Net Cash (Used) Provided by Financing Activities	33,277.09	(42,159.54)	(596,359.95)	(154,537.25)	191,368.93	(588,410.72)
Net Increase (Increase) in Cash	730,791.30	(92,818.02)	(473,486.51)	236,160.05	.00	400,646.82
Cash at Beginning of Year	885,042.84	126,331.41	798,620.54	247,243.43		2,057,238.22
Cash at End of Year	1,615,834.14	33,513.39	325,134.03	483,403.48		2,457,885.04
Supplementary Cash Flow Disclosure						
Cash Interest Paid	330,595.96	113,938.15	107,854.71	216,857.28		769,246.10

See Independent Auditor's Report on Supplemental Information.



NEW DIRECTIONS HOUSING CORPORATION  
STATEMENT OF FINANCIAL POSITION -  
NEIGHBORHOOD REINVESTMENT CAPITAL FUND  
FOR YEAR ENDED JUNE 30, 2014

Assets	
Cash in Bank	169,127.42
Notes Receivable	<u>1,928,113.64</u>
	<u>2,097,241.06</u>
Liabilities and Net Assets	
Net Assets - Unrestricted	209,828.06
- Permanently restricted	<u>1,887,413.00</u>
	<u>2,097,241.06</u>

NEW DIRECTIONS HOUSING CORPORATION  
STATEMENT OF ACTIVITIES -  
NEIGHBORHOOD REINVESTMENT CAPITAL FUND  
FOR YEAR ENDED JUNE 30, 2014

Revenue, Gains and Other Support:

Capital Grant - Neighborhood Reinvestment	<u>105,000.00</u>
	105,000.00

Expenses/Other Changes:

Bank Charges	<u>(15.50)</u>
	104,984.50

Net Assets - Beginning of Year	<u>1,992,256.56</u>
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Net Assets - End of Year	<u>2,097,241.06</u>
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PARKLAND PROPERTIES I  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014

ASSETS

CURRENT ASSETS

Tenant accounts receivable	677.06	
Prepaid expenses	<u>439.51</u>	

Total current assets		1,116.57
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DEPOSITS HELD IN TRUST - FUNDED

Tenant security deposits		5,003.28
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FIXED ASSETS

Land	17,742.86	
Buildings	657,993.75	
Equipment	<u>488.58</u>	

Total fixed assets	676,225.19	
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Less accumulated depreciation	<u>(15,475.04)</u>	<u>660,750.15</u>
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Total Assets		<u>666,870.00</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable - trade	297.59	
Prepaid rent	<u>849.00</u>	

Total current liabilities		1,146.59
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DEPOSIT LIABILITIES

Tenant security deposits (contra)		3,415.00
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LONG-TERM LIABILITIES

Loan - New Directions Housing Corporation	433,545.12	
Mortgage payable - Louisville/Metro Government	<u>237,099.70</u>	

Total long-term liabilities		<u>670,644.82</u>
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Total liabilities		675,206.41
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NET ASSETS

Unrestricted net assets (deficit)	<u>(8,336.41)</u>	
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Total unrestricted net assets (deficit)		<u>(8,336.41)</u>
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Total Liabilities and Net Assets		<u>666,870.00</u>
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See Independent Auditor's Report on Supplemental Information.

PARKLAND PROPERTIES I  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

INCOME	
Rent	43,934.02
Financial - Debt forgiveness	99,941.00
Tenant charges	<u>4,590.00</u>
	148,465.02
EXPENSES	
Administrative	38,798.56
Utilities	10,204.27
Operating and maintenance	70,613.00
Insurance and taxes	6,232.28
Depreciation	23,913.94
Mortgage interest	<u>7,039.38</u>
	<u>156,801.43</u>
CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT)	(8,336.41)
UNRESTRICTED NET ASSETS (DEFICIT), at July 1, 2013	<u>.00</u>
UNRESTRICTED NET ASSETS (DEFICIT), at June 30, 2014	<u>(8,336.41)</u>

See Independent Auditor's Report on Supplemental Information.

PARKLAND PROPERTIES II  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014

ASSETS

CURRENT ASSETS

Cash in bank	4,500.48	
Tenant accounts receivable	52.00	
Prepaid expenses	<u>275.59</u>	

Total current assets 4,828.07

DEPOSITS HELD IN TRUST - FUNDED

Tenant security deposits 2,250.00

RESTRICTED DEPOSITS AND FUNDED RESERVES

Reserve for replacements 2,900.02

FIXED ASSETS

Land	9,857.14	
Buildings	<u>569,556.82</u>	

Total fixed assets 579,413.96

Less accumulated depreciation (139,640.81) 439,773.15

Total Assets 449,751.24

LIABILITIES

CURRENT LIABILITIES

Accounts payable - trade	1,898.91	
Prepaid rent	<u>30.00</u>	

Total current liabilities 1,928.91

DEPOSIT LIABILITIES

Tenant security deposits (contra) 1,850.00

LONG-TERM LIABILITIES

Loan - New Directions Housing Corporation 84,765.82

Total liabilities 88,544.73

NET ASSETS

Unrestricted net assets 361,206.51

Total unrestricted net assets 361,206.51

Total Liabilities and Net Assets 449,751.24

See Independent Auditor's Report on Supplemental Information.

PARKLAND PROPERTIES II  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

INCOME	
Rent	10,452.50
Grant - Louisville/Metro Government	371,397.10
Tenant charges	<u>360.50</u>
	382,210.10
EXPENSES	
Administrative	3,450.70
Utilities	923.44
Operating and maintenance	1,794.53
Insurance	850.50
Depreciation	13,956.48
Interest	<u>27.94</u>
	<u>21,003.59</u>
CHANGE IN UNRESTRICTED NET ASSETS	361,206.51
UNRESTRICTED NET ASSETS, at July 1, 2013	<u>.00</u>
UNRESTRICTED NET ASSETS, at June 30, 2014	<u><u>361,206.51</u></u>

MARKET STREET PROPERTIES  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014

ASSETS

CURRENT ASSETS

Cash in bank	123.97	
Prepaid expenses	<u>372.85</u>	

Total current assets		496.82
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DEPOSITS HELD IN TRUST - FUNDED

Tenant security deposits		100.00
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RESTRICTED DEPOSITS AND FUNDED RESERVES

Reserve for replacements		100.00
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FIXED ASSETS

Land	19,164.34	
Buildings	<u>309,811.66</u>	

Total fixed assets	328,976.00	
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Less accumulated depreciation	<u>.00</u>	<u>328,976.00</u>
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Total Assets		<u><u>329,672.82</u></u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable - trade	<u>20,859.02</u>	
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Total current liabilities		20,859.02
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LONG-TERM LIABILITIES

Loan - New Directions Housing Corporation	21,347.89	
Mortgage Payable - Louisville/Metro Government	<u>176,779.44</u>	

Total liabilities		198,127.33
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NET ASSETS

Unrestricted net assets	<u>110,686.47</u>	
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Total unrestricted net assets		<u>110,686.47</u>
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Total Liabilities and Net Assets		<u><u>329,672.82</u></u>
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MARKET STREET PROPERTIES  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

INCOME	
Rent	.00
Appraisal markup	111,322.19
Other	<u>424.00</u>
	111,746.19
EXPENSES	
Administrative	948.85
Insurance	35.46
Interest	<u>75.41</u>
	<u>1,059.72</u>
CHANGE IN UNRESTRICTED NET ASSETS	110,686.47
UNRESTRICTED NET ASSETS, at July 1, 2013	<u>.00</u>
UNRESTRICTED NET ASSETS, at June 30, 2014	<u>110,686.47</u>