

NEW DIRECTIONS HOUSING CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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, 2016, 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, 2016, and the consolidated changes in its 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 Title 2 U.S. Code of Federal Regulations (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 5, 2016 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 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 5, 2016

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2016

	Assets
	Cash
2,483,125.63	Cash - Restricted by grant
374,115.42	Receivables
	Accounts Receivable, net
609,999.61	Notes and Mortgages Receivable, net
1,761,208.00	Unconditional Promises to Give, net
218,503.93	Notes Receivable - Neighborhood Reinvestment
<u>1,131,972.00</u>	Capital Fund
3,721,683.54	Prepaid Expenses
164,212.55	Construction in Progress
40,728.83	Other Assets
2,828,340.95	Property and Equipment, net
<u>22,838,386.70</u>	Total Assets
32,450,593.62	Liabilities
	Accounts Payable
133,788.23	Accrued Expenses
1,102,799.60	Deferred Revenue
11,378.34	Short Term Debt
1,939,949.75	Other Liabilities
129,018.81	Long Term Debt
<u>11,821,396.37</u>	Total Liabilities
15,138,331.10	Net Assets
	Unrestricted
	Operating
14,466,815.71	Contractually Designated
483,229.72	Temporarily Restricted
269,804.09	Permanently Restricted
<u>2,092,413.00</u>	Total Liabilities and Net Assets
17,312,262.52	
<u>32,450,593.62</u>	

See Notes to Financial Statements.

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenues, Gains and Other Support				
Contributions	776,301.02	134,800.82		911,101.84
Rent Income	5,962,860.03			5,962,860.03
Grant Income - Operations	1,429,756.58	51,300.16	75,000.00	1,556,056.74
Maintenance, Management and Other Fees	1,169,020.75			1,169,020.75
Interest Income	290,205.46			290,205.46
Miscellaneous	540,233.32			540,233.32
Net Assets Released from Restriction	<u>53,530.89</u>	<u>(53,530.89)</u>		<u>.00</u>
	10,221,908.05	132,570.09	75,000.00	10,429,478.14
Expenses				
Program Expenses	8,962,451.77			8,962,451.77
Supporting Expenses				
Management and General	400,559.99			400,559.99
Fundraising	<u>304,324.59</u>			<u>304,324.59</u>
Total Expenses	<u>9,667,336.35</u>			<u>9,667,336.35</u>
Increase (Decrease) in Net Assets	554,571.70	132,570.09	75,000.00	762,141.79
Book Value of Assets Acquired	325,977.17			325,977.17
Less Distributions	(1,810.71)			(1,810.71)
Beginning Net Assets	<u>14,071,307.27</u>	<u>137,234.00</u>	<u>2,017,413.00</u>	<u>16,225,954.27</u>
Ending Net Assets	<u>14,950,045.43</u>	<u>269,804.09</u>	<u>2,092,413.00</u>	<u>17,312,262.52</u>

See Notes to Financial Statements.

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:		
Increase in Net Assets		762,141.79
Adjustments to Reconcile Increase in Net Assets to		
Net Cash Provided by Operating Activities:		1,424,651.60
Depreciation and Amortization		
Non Cash Operating Items		
Related Entities Profit Allocation	(179,260.29)	
Debt Forgiven/Forgivable Mortgage	(339,263.72)	
Write off Bad Debt Allowance	(337,321.12)	
Write off of Tax Credit Application Expenses	181,161.86	
Donated Property	(800,000.00)	
(Increase) Decrease Promises to Give	135,862.07	
(Increase) Decrease Accounts Receivable	(188,426.74)	
(Increase) Decrease Prepaid Expenses	(11,836.38)	
(Increase) Decrease Grant Construction in Progress	(40,728.83)	
(Decrease) Increase Accounts Payable	25,894.21	
(Decrease) Increase Accrued Expenses	108,055.80	
(Decrease) Increase Deferred Revenue	6,091.13	
(Decrease) Increase Other Liabilities	10,823.12	
Total Adjustments	(4,297.29)	
Net Cash Provided by Operating Activities		757,844.50
Cash Flows from Investing Activities:		
Financing Fees Paid	(15,235.33)	
Repayment of Notes and Mortgages Receivable	538,572.67	
Security Deposit Refund/Payment	2,919.96	
Investment Activity - Partnerships/Corporations	179,260.29	
Purchase of Partnership Interest	(32,000.00)	
Capital Expenditures	(581,376.31)	
Deposits into Reserves/Escrows	(428,789.73)	
Releases from Reserves/Escrows	451,573.07	
Cash Released from Grant Restrictions	(74,988.00)	
Net Cash Provided by Investing Activities		39,936.62
Cash Flows from Financing Activities:		
Financing from Investing Activities:		
Repayments of Notes and Mortgages	(1,810.71)	
Borrowings on Notes and Mortgages	105,692.00	
Net Cash (Used) by Financing Activities	(1,603,913.31)	
Net Decrease in Cash		(1,500,032.02)
Cash at Beginning of Year		3,185,376.53
Cash at End of Year		2,483,125.63
Supplementary Cash Flow Disclosure		
Cash Interest Paid		604,094.36

See Notes to Financial Statements.

NOTE 1 : 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.

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	2,444,545.92
Buildings	35,385,329.02
Equipment	1,824,117.28
Vehicles	79,591.09
<u>Accumulated Depreciation</u>	<u>39,733,583.31</u>
Property and Equipment	(16,895,196.61)
	<u>22,838,386.70</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 \$4,723,192.00 for the fiscal year ended June 30, 2016.
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, 2015. The contract totaled \$59,355.00 for the fiscal year ended June 30, 2016.
3. Neighborhood Stabilization Program (NSP) - Under contracts with the City of New Albany, Indiana, a subgrantee to 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 \$10,458,816.00 in expenditures by June 30, 2016. Grant funds of over \$6.4 million with New Albany and \$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 Notes II and IV) 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, 2016.

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 benefited.

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, 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; (the "Broadstreet" properties). 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.

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, 2012 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 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	131,428.61
Jackson Woods Apartments, LLLP	38,528.89
St. William Apartments, LLLP	10,432.99
St. John Gardens, Inc.	69,537.88
New Visions Residential Services, Inc.	(58,200.00)
Less: Allowance for Bad Debts	191,728.37
Other Receivables	63,713.82
Managed Properties	29,538.17
Tenant Related Receivables	17,888.00
Section 8 Subsidy Receivable	4,763.65
Miscellaneous Receivables	213,395.10
Grants Receivable	88,972.50
Developers Fees	418,271.24
	<u>609,999.61</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.

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 Receivable - St. Benedict Center for Early Childhood Education, Inc.	100,000.00
	<u>1,761,208.00</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	238,503.93
Less allowance for doubtful accounts	(20,000.00)
	<u>218,503.93</u>

The promises to give are due as follows:

Fiscal Year ended :

6/30/17	112,348.69
6/30/18	54,316.93
6/30/19	42,963.31
6/30/20	6,455.00
6/30/21	1,230.00
6/30/22	1,190.00
	<u>218,503.93</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, 2016

NOTE V: OTHER ASSETS

	New Directions Housing Corporation	Directions Apartments LLC	Russell Apartments LLC	Shawnee Apartments LLC	Eliminations	Total
Tenant Security Deposits	80,880.48	12,943.84	25,391.87	19,841.00		139,057.19
Mortgage Escrow Deposits	10,230.16	7,788.04	11,686.01	14,837.20		44,541.41
Replacement Reserve	436,608.92	197,414.40	113,268.89	63,709.91		811,002.12
Residual Receipts						0.00
Investments - Corporations	5,908.00					5,908.00
Investments - Partnerships	(551,704.19)				537,481.00	(14,223.19)
Financing Fees	274,923.57	5,989.17	12,962.72	11,681.63		305,557.09
Amortization - Financing Fees	(199,727.12)					(199,727.12)
Management Rights	1,201,650.90					1,201,650.90
Contract Acquisition Costs	596,615.32					596,615.32
Amortization						
- Contract Acquisition Costs	(67,119.22)					(67,119.22)
Syndication/Partnership Fees	14,100.00					14,100.00
Amortization						
- Syndication/Partnership Fees	(9,021.55)					(9,021.55)
Organization Costs	36,244.89					36,244.89
Amortization - Organization	(36,244.89)					(36,244.89)
	<u>1,793,345.27</u>	<u>224,135.45</u>	<u>163,309.49</u>	<u>110,069.74</u>	<u>537,481.00</u>	<u>2,828,340.95</u>

NOTE VI: Notes and Mortgages Payable

Mortgagor	Current Amount	Non-Current Amount	Interest Rate	Due Date	Collateral
Berkadia Mortgage Capital, Inc.	6,297.24	301,611.66	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	197,583.04	.00%	12/31/28	Parkland I
Metropolitan Housing Coalition	350,000.00	.00	4.00%	09/30/16	Unsecured
Red Mortgage Capital, Inc.	26,663.84	616,288.29	4.2%	06/01/33	Russell Apartments -First Mortgage
Red Mortgage Capital, Inc.	55,146.00	1,548,677.14	6.25%	06/01/33	Shawnee Apartments -First Mortgage
Red Mortgage Capital, Inc.	28,276.39	794,089.34	6.25%	06/01/33	Directions Apartments -First Mortgage
Community Housing Capital	29,028.24	525,994.72	5.50%	08/31/19	Brandeis Apartments
Federation of Appalachian Housing Enterprises, Inc.	31,379.84	.00	5.25%	02/28/17	Heverin House
Fifth Third Bank	.00	190,000.00	3.50%	07/19/17	Unsecured
Main Source Bank	17,574.46	482,425.54	3.59%	06/30/26	Roosevelt Apartments
Louisville/Jefferson County Metro Government	.00	513,333.92	2.00%	02/23/26	Brandeis Apartments
PNC Bank	1,170,426.59	.00	5.00%	07/31/16	O'Connor Square, Ltd.

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

2017	1,939,949.75
2018	1,515,994.53
2019	329,190.83
2020	945,983.29
2021	135,283.96

During a prior 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 restuctured into Parkland I and Parkland II during a prior year. Parkland I has a forgivable mortgage with Louisville/Metro Jefferson County Government for \$237,099.70 with interest at 0% and forgivable rateably through December 31, 2028. The balance of the loan at June 30, 2016 was \$197,583.04. There is no mortgage on Parkland II.

During a prior year the organization secured a line of credit with the Federation of Appalachian Housing Enterprises, Inc. for \$1,000,000.00 with interest at 5.25%. As of June 30, 2016 the outstanding loan balance is \$31,379.84.

NOTE VII: Temporarily and Permanently Restricted Assets

Temporarily Restricted Assets:	218,503.93
Unconditional Promises to Give	51,300.16
Grant Receivable	269,804.09
	<u>269,804.09</u>

Permanently Restricted Assets:	2,092,413.00
Capital Grant Funds - NeighborhoodWorks	
	<u>2,092,413.00</u>

NOTE VIII: Contractually Designated Assets

Work in Progress - NSF Projects	40,728.83
Hazard and Mortgage Insurance Escrows	44,541.41
Security Deposits	139,057.19
Replacement Reserves	811,002.12
Cash - NSF Project	646,853.92
	<u>1,682,183.47</u>

NOTE VIII: Contractually Designated Assets (Continued)

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	1,070,392.23
Security Deposits	128,561.52
	<u>1,198,953.75</u>

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

Contractually designated net assets are:

Contractually Designated Assets	1,682,183.47
Contractually Designated Liabilities	(1,198,953.75)
Contractually Designated Net Assets	<u>483,229.72</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.	54,854.30
Clifton Court Apartments, Inc.	30,340.50

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	185,267.66
St. William Apartments, LLLP	159,487.43

NOTE X: Partnership Interests

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 \$(14,223.19) at June 30, 2016. These amounts are included in other assets on the consolidated statement of financial position.

NOTE X: Partnership Interests (Continued)

(a) O'Connor Square, Ltd.

In January of 2016 the investor limited partner sold its 99.9% interest to New Directions for \$32,000.00. New Directions now owns all the assets and has assumed all the liabilities of the partnership and the activities of the entity since January 1, 2016 are included in this report. New Directions has entered into a nominal lease back agreement of the land and building to the partnership.

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

On April 29, 2003 the three LLC's, above mentioned, 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.

(c) Jackson Woods Apartments, LLLP

On May 13, 2010 New Directions sold the Jackson Woods Apartments housing complex to Jackson Woods Apartments, LLLP. 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 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	(778,972.00)
	239,208.00
Third Mortgage	840,000.00
	<u>1,079,208.00</u>

NOTE X: Partnership Interests (Continued)

(d) St. William Apartments, LLLP

On June 15, 2010 New Directions sold the St. William Apartments housing complex to St. Williams Apartments, LLLP. 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 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.

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	August 31, 2032	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, 2032	450,943.00

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.

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, 2016, 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: Subsequent Events

Management has evaluated events occurring subsequent to year end through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

NOTE XVI: Schedule of Functional Expenses (Unconsolidated) (New Directions Housing Corporation Only)

	-----Program Services-----									
	Management and General	Fundraising	Real Estate Development	Home Ownership Preservation	Community Building & Organization	Asset and Property Management	Rental Properties	Early Childhood Development	Resident Services	
Personnel Costs	273,142.89	220,765.93	197,696.10	150,888.46	103,874.67	2,150,945.13	314.00	28.62	375,902.03	
Advertising and Printing	2,118.03	11,168.89	94.73	8,405.90	379.46	400.27	341,010.92		158.92	
Staff and Management Fees										
Office Supplies and Expenses	38,147.62	8,903.79	5,288.40	540.69	1,107.71	19,197.04	11,185.99	2,676.21	11,753.45	
Telephone/Communications	22,706.53	1,120.00	480.00	2,526.20	800.00	8,934.37	16,270.74	1,379.91	7,279.01	
Legal and Accounting Fees	14,209.56		2,846.77	2,079.75		23,059.09	53,291.35	757.00		
Dues and Publications	7,010.69	2,306.96	1,494.35	6,962.24		971.75	198.22		699.00	
Professional Development /Conferences	14,392.04	6,179.77	1,235.25	1,848.14	7,040.23	10,517.52	3,240.42	2,955.99	8,245.46	
Utilities	25,371.10			26.85		11,038.06	288,031.63	100,091.76	15,203.06	
Maintenance and Repairs	42,989.21	882.25	182.42	254,444.12	4,174.08	12,894.26	615,101.41	149.37	25,695.39	
Transportation	2,136.67	704.83	2,646.74	6,739.38	715.41	42,050.11	14,456.52		2,359.69	
Depreciation	87,070.72					9,040.57	691,906.64		12,636.60	
Insurance	7,585.99		190.08			8,811.87	97,909.95		2,576.19	
Interest	105,234.87						246,068.82			
Real Estate Taxes	3,428.12		5,067.55	10,000.00			11,469.32		78,614.85	
Events/Volunteer Expenses	3,788.31	26,355.26		3,218.46	15,062.69	127.86		2,707.89	9,375.85	
Other Expenses	24,924.81	1,177.43	293.45	3,125.26	5,608.92	12,109.48	65,668.65	3,009.00	8,875.45	
Facility Expense Allocation	67,064.46	24,759.48	26,698.44	67,171.92	20,968.92	64,503.66	64,414.30		51,140.52	
Total Facility Expenses	(386,721.70)						21,102.00			
Incentive Performance Fee					400.00					
Direct Assistance	48,773.15		181,161.86					28,126.06	93.00	
Contract Services	403,373.07	304,324.59	425,376.14	517,977.37	160,132.09	2,374,601.04	2,541,640.88	141,881.81	610,608.47	
Eliminations by Function	(2,813.08)					(5,979.59)	(570,329.66)	(101.37)	(2,796.88)	
	<u>400,559.99</u>	<u>304,324.59</u>	<u>425,376.14</u>	<u>517,977.37</u>	<u>160,132.09</u>	<u>2,368,621.45</u>	<u>1,971,311.22</u>	<u>141,780.44</u>	<u>607,811.59</u>	

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE XVI: Schedule of Functional Expenses (Unconsolidated) (New Directions Housing Corporation Only) (Continued)

	Sub Total	Interdivisional Eliminations	Total
Personnel Costs	3,473,215.21		3,473,215.21
Advertising and Printing	23,068.82		23,068.82
Staff and Management Fees	341,010.92	(341,010.92)	.00
Office Supplies and Expenses	98,800.90		98,800.90
Telephone/Communications	61,496.76		61,496.76
Legal and Accounting Fees	96,243.52	(28,203.00)	68,040.52
Dues and Publications	19,643.21		19,643.21
Professional Development /Conferences	55,654.82		55,654.82
Utilities	339,670.70		339,670.70
Maintenance and Repairs	1,056,454.90	(212,806.66)	843,648.24
Transportation	71,958.72		71,958.72
Depreciation	800,654.53		800,654.53
Insurance	117,074.08		117,074.08
Interest	351,303.69		351,303.69
Real Estate Taxes	29,964.99		29,964.99
Events/Volunteer Expenses	60,636.32		60,636.32
Other Expenses	124,792.45		124,792.45
Facility Expense Allocation	386,721.70		386,721.70
Total Facility Expenses	(386,721.70)		(386,721.70)
Incentive Performance Fee	21,102.00		21,102.00
Direct Assistance	79,014.85		79,014.85
Contract Services	<u>258,154.07</u>	<u>(582,020.58)</u>	<u>258,154.07</u>
	7,479,915.46		6,897,894.88
Eliminations by Function		<u>582,020.58</u>	<u>.00</u>
	<u>7,479,915.46</u>		<u>6,897,894.88</u>

NOTE XVII: Neighborhoodworks America Grant

Neighborhoodworks America DBA Neighborhood Reinvestment Corporation provided \$404,631.76 in capital and expendable grants during the year for making loans and for capital projects and core organizational expenses. \$75,000.00 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 capital project portfolios representing the use of these funds will revert to Neighborhood Reinvestment Corporation.

Project	Amount Due	Interest Rates	Terms
Smokestown Shelby Park Revitalization Project	64,959.00 *	6%	One payment due March 26, 2010, interest due monthly
Smokestown Shelby Park Revitalization Project	75,000.00 *	0%	Payments of \$5,000.00 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	256,182.64 *	0%	Payments due when project has sufficient funds
Less: Internal Loans	1,928,113.64		
	(796,141.64) *		
	<u>1,131,972.00</u>		

NEW DIRECTIONS HOUSING CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (UNCONSOLIDATED)
 FOR THE YEAR ENDED JUNE 30, 2016

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			984,018
Section 8 - Low Income Housing	14.195		
HUD Guaranteed Mortgage	14.139		313,855
Capital Improvement Loan	14.164		31,321
Transitional Housing Demonstration Program	14.235		96,484
S.A.F.A.H.	14.235		59,355
Service Coordinator	14.191		49,968
CDBG	14.218		6,000
CDBG	14.225		113,007
Home Investment Partnership	14.239		118,212
HUD Forgiven Loans	14.248		94,867
HUD Guaranteed Loans	14.248		1,210,745
Total U.S. Department of Housing and Urban Development			<u>3,077,832</u>
U.S. Department of Treasury Neighborhood Reinvestment Capital Fund	21.020		404,632
Total U.S. Department of Treasury			<u>404,632</u>
Total Expenditures of Federal Awards			<u>3,482,464</u>

See Notes to the Schedule of Expenditures of Federal Awards (Unconsolidated)

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Procurement Policy

The Corporation has elected to delay adopting the procurement requirements specified in the Uniform Guidance.

C. Indirect Cost Rate

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

<u>D. Mortgages/Loans</u>	<u>Federal CFDA Number</u>	<u>Balance</u>
Smoketown	14.139	313,855.00
Smoketown	14.164	31,321.00
Jacksonwoods	14.248	587,000.00
St. Williams	14.248	446,966.00
Market Street	14.248	176,779.00
		1,555,921.00
		June 30, 2015

OTHER REPORTS

HENSON & ASSOCIATES

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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, 2016, 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 5, 2016.

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 a misstatement 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.

Heaven + Associates
HEMSON & ASSOCIATES

Louisville, Kentucky
December 5, 2016

HENSON & ASSOCIATES

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

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Directions Housing Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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.

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 with a type of compliance requirement of a federal program that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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, 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New Directions Housing Corporation's internal control over compliance.

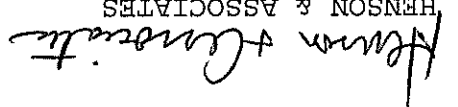
Report on Internal Control Over Compliance

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, 2016.

Opinion on Each Major HUD Program

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

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



HENSON & ASSOCIATES
Certified Public Accountants

Louisville, Kentucky
December 5, 2016

NEW DIRECTIONS HOUSING CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2016

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>
14.139	HUD Guaranteed Mortgage
14.248	HUD Guaranteed Loans
14.195	Section 8
21.020	Neighborhood Reinvestment Capital Fund

8. The threshold for distinguishing Types A and B programs was \$750,000.

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

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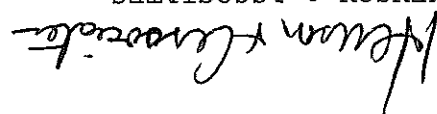
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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

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, 2016 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 5, 2016

SUPPLEMENTAL INFORMATION

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
 SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2016

	New Directions Housing Corporation	Directions Apartments LLC	Russell Apartments LLC	Shawnee Apartments LLC	Eliminations and Adjustments	Totals
Assets						
Cash	1,437,431.65	91,949.42	583,404.54	370,340.02		2,483,125.63
Cash - Restricted by Grant	374,115.42					374,115.42
Receivables						
Accounts Receivable, net	920,305.00	5,507.36	4,967.62	18,321.21	(339,101.58)	609,999.61
Notes and Mortgages Receivable, net	8,618,354.80				(6,857,146.80)	1,761,208.00
Unconditional Promises to Give	218,503.93					218,503.93
Notes Receivable NeighborWorks	1,131,972.00					1,131,972.00
Prepaid Expenses	51,725.25	26,583.64	41,174.51	44,729.15		164,212.55
Construction in Progress	40,728.83					40,728.83
Other Assets	1,793,345.27	224,135.45	163,309.49	110,069.74	537,481.00	2,828,340.95
Property and Equipment	12,839,681.96	2,162,106.04	4,454,903.01	3,381,695.69	(6,658,767.38)	22,838,386.70
Total Assets	<u>27,426,164.11</u>	<u>2,510,281.91</u>	<u>5,247,759.17</u>	<u>3,925,155.81</u>	<u>(6,658,767.38)</u>	<u>32,450,593.62</u>
Liabilities						
Accounts Payable	136,726.97	60,338.81	153,795.65	122,028.38	(339,101.58)	133,788.23
Accrued Expenses	712,980.22	274,742.41	43,136.72	71,940.25		1,102,799.60
Deferred Revenue	5,238.01	2,255.75	3,408.88	475.70		11,378.34
Short Term Debt	1,829,863.12	28,276.39	57,705.40	55,146.40	(31,041.56)	1,939,949.75
Other Liabilities	73,195.52	12,747.51	23,960.58	19,115.20		129,018.81
Long Term Debt	<u>7,279,455.82</u>	<u>2,376,975.12</u>	<u>4,551,717.03</u>	<u>4,439,353.64</u>	<u>(6,826,105.24)</u>	<u>11,821,396.37</u>
Total Liabilities	10,037,459.66	2,755,335.99	4,833,724.26	4,708,059.57	(7,196,248.38)	15,138,331.10
Net Assets						
Unrestricted	14,784,213.30	(245,054.08)	414,034.91	(782,903.76)	537,481.00	14,707,771.37
Book Value of Assets Acquired	325,977.17					325,977.17
Temporarily Restricted	186,100.98					186,100.98
Permanently Restricted	<u>2,092,413.00</u>	<u>(245,054.08)</u>	<u>414,034.91</u>	<u>(782,903.76)</u>	<u>537,481.00</u>	<u>2,092,413.00</u>
Total Liabilities and Net Assets	<u>27,426,164.11</u>	<u>2,510,281.91</u>	<u>5,247,759.17</u>	<u>3,925,155.81</u>	<u>(6,658,767.38)</u>	<u>32,450,593.62</u>

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, 2016

	New Directions Housing Corporation	Directions Apartments LLC	Russell Apartments LLC	Shawnee Apartments LLC	Eliminations and Adjustments	Totals
Revenues, Gains and Other Support						
Contributions	911,101.84	912,653.88	1,717,081.67	1,506,013.55		911,101.84
Rent Income	1,827,110.93					5,962,860.03
Grant Income - Operations	1,556,056.74					1,556,056.74
Maintenance, Management and Other Fees	2,291,067.66	75.87	48.38	19.27	(1,122,046.91)	1,169,020.75
Interest Income	290,061.94			18,777.01	(291,075.93)	290,205.46
Miscellaneous	<u>781,697.40</u>	<u>9,831.53</u>	<u>21,003.31</u>	<u>18,777.01</u>	<u>(291,075.93)</u>	<u>540,233.32</u>
Total Revenues, Gains and Other Support	7,657,096.51	922,561.28	1,738,133.36	1,524,809.83	(1,413,122.84)	10,429,478.14
Expenses						
Program Services	6,193,010.30	933,125.18	1,523,669.30	1,434,693.90	(1,122,046.91)	8,962,451.77
Supporting Services						400,559.99
Management and General Fundraising	<u>400,559.99</u>	<u>304,324.59</u>	<u>304,324.59</u>	<u>304,324.59</u>	<u>304,324.59</u>	<u>304,324.59</u>
Total Expenses	<u>6,897,894.88</u>	<u>933,125.18</u>	<u>1,523,669.30</u>	<u>1,434,693.90</u>	<u>(1,122,046.91)</u>	<u>9,667,336.35</u>
Increase (Decrease) in Net assets	759,201.63	(10,563.90)	214,464.06	90,115.93	(291,075.93)	762,141.79
Book Value of Assets Acquired	325,977.17					325,977.17
Less: Distributions		(6,947.00)	(122,169.00)	(51,955.00)	179,260.29	(1,810.71)
Beginning Net Assets	<u>16,303,525.65</u>	<u>(227,543.18)</u>	<u>321,739.85</u>	<u>(821,064.69)</u>	<u>649,296.64</u>	<u>16,225,954.27</u>
Ending Net Assets	<u>17,388,704.45</u>	<u>(245,054.08)</u>	<u>414,034.91</u>	<u>(782,903.76)</u>	<u>537,481.00</u>	<u>17,312,262.52</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, 2016

	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	759,201.63	(10,563.90)	214,464.06	90,115.93	(291,075.93)	762,141.79
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:						
Depreciation and Amortization	800,654.53	117,678.21	305,029.67	201,289.19	111,815.64	1,424,651.60
Non Cash Operating Items	(291,075.93)			39,693.00	(39,693.00)	.00
Related Entities Profit Allocation	(339,263.72)					(339,263.72)
Debt Forgiven - Forgiveable Mortgage	(800,000.00)					(800,000.00)
Interest Deferred Added to Principal	(337,321.12)					(337,321.12)
Donated Property	181,161.66					181,161.66
Write Off of Bad Debt Allowance	135,862.07					135,862.07
Write Off of Tax Credit Application Expenses	(199,781.51)	4,813.33	14,763.76	(8,222.32)		(188,426.74)
(Increase) Decrease Promises to Give	(4,891.04)	(1,383.32)	(3,272.45)	(2,289.57)		(11,836.38)
(Increase) Decrease Accounts Receivable	(40,728.63)	286.80	22,713.54	12,518.51		25,894.21
(Increase) Decrease Prepaid Expenses	(9,624.64)	42,697.75	(4,018.69)	2,159.14		108,055.80
(Decrease) Increase Accounts Payable	67,217.60	1,234.66	1,203.57	475.70		6,091.13
(Decrease) Increase Accrued Expenses	3,177.20					3,177.20
(Decrease) Increase Deferred Revenue	12,350.83	145.00	(1,314.68)	(358.03)		10,823.12
(Decrease) Increase Other Liabilities	(822,262.70)	165,472.43	335,104.72	245,265.62	72,122.64	(4,297.29)
Total Adjustments	(63,061.07)	154,908.53	549,568.78	335,381.55	(218,953.29)	757,844.50
Net Cash Provided (Used) by Operating Activities						
Cash Flows from Investing Activities:						
Financing Fees Paid	(15,235.33)					(15,235.33)
Repayment of Notes and Mortgages Receivable	538,572.67					538,572.67
Investment Activity - Partnerships/Corporations	179,260.29					179,260.29
Purchase of Partnership Interest	(32,000.00)					(32,000.00)
Security Deposit Refund/Payment	2,697.67		222.29			2,919.96
Capital Expenditures	(342,185.98)	(162,688.04)	(25,049.00)	(51,453.29)		(581,376.31)
Deposits into Reserves/Escrows	(152,096.89)	(53,243.06)	(101,345.69)	(122,104.09)		(428,789.73)
Releases from Reserves/Escrows	192,425.71	112,441.81	63,565.30	83,140.25		451,573.07
Cash Released from Grant Restrictions	(74,988.00)					(74,988.00)
Net Cash Provided (Used) by Investing Activities	296,450.14	(103,489.29)	(62,607.10)	(90,417.13)	.00	39,936.62
Cash Flows from Financing Activities:						
Distribution to Owners - For Profit Partnerships	105,692.00	(6,947.00)	(122,169.00)	(51,955.00)	179,260.29	(1,810.71)
Borrowings on Notes and Mortgages	(815,371.12)	(54,355.51)	(514,245.03)	(259,634.65)	39,693.00	(1,603,913.31)
Repayments of Notes and Mortgages	(709,679.12)	(61,302.51)	(636,414.03)	(311,589.65)	218,953.29	(1,500,032.02)
Net Cash (Used) by Financing Activities	(476,290.05)	(9,883.27)	(149,452.35)	(66,625.23)	.00	(702,250.90)
Net Decrease in Cash	1,913,721.70	101,832.69	732,856.89	436,965.25		3,185,376.53
Cash at Beginning of Year	1,437,431.65	91,949.42	583,404.54	370,340.02		2,493,125.63
Cash at End of Year	276,522.73	52,305.85	72,405.00	202,860.78		604,094.36

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, 2016

Assets	
Cash in Bank	374,115.42
Notes Receivable	1,928,113.64
	<u>2,302,229.06</u>
Liabilities and Net Assets	
Net Assets - Unrestricted	209,816.06
- Permanently restricted	2,092,413.00
	<u>2,302,229.06</u>

See Independent Auditor's Report on Supplemental Information.

NEW DIRECTIONS HOUSING CORPORATION
 STATEMENT OF ACTIVITIES -
 NEIGHBORHOOD REINVESTMENT CAPITAL FUND
 FOR YEAR ENDED JUNE 30, 2016

Revenue, gains and other support:	
Capital grant - Neighborhood Reinvestment	75,000.00
Expenses/Other changes:	12.00
	<u>74,988.00</u>
Net Assets - Beginning of Year	2,227,241.06
Net Assets - End of Year	<u><u>2,302,229.06</u></u>

See Independent Auditor's Report on Supplemental Information.

PARKLAND PROPERTIES I
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS	
CURRENT ASSETS	
Cash in Bank	1,490.68
Tenant accounts receivable	1,088.17
Subsidies receivable	695.00
Prepaid expenses	1,170.22
Total current assets	<u>4,444.07</u>
DEPOSITS HELD IN TRUST - FUNDED	
Tenant security deposits	3,495.00
RESTRICTED DEPOSITS AND FUNDED RESERVES	
Reserve for Replacements	11,319.34
FIXED ASSETS	
Land	17,742.86
Buildings	661,093.81
Equipment	488.58
Total fixed assets	<u>679,325.25</u>
Less accumulated depreciation	(62,914.26)
Total Assets	<u>635,669.40</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable - trade	28,301.83
Prepaid rent	707.00
Total current liabilities	<u>29,008.83</u>
DEPOSIT LIABILITIES	
Tenant security deposits (contra)	2,895.00
LONG-TERM LIABILITIES	
Loan - New Directions Housing Corporation	433,485.12
Mortgage payable - Louisville/Metro Government	197,583.04
Total long-term liabilities	<u>631,068.16</u>
Total liabilities	662,971.99
NET ASSETS	
Unrestricted net assets (deficit)	(27,302.59)
Total unrestricted net assets (deficit)	<u>(27,302.59)</u>
Total Liabilities and Net Assets	<u>635,669.40</u>

See Independent Auditor's Report on Supplemental Information.

PARKLAND PROPERTIES I
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	INCOME
Rent	60,824.39
Financial - debt forgiveness	19,758.36
Tenant charges	705.50
	<u>81,288.25</u>
EXPENSES	
Administrative	13,235.67
Utilities	7,709.29
Operating and maintenance	30,853.79
Insurance and taxes	6,271.73
Depreciation	23,666.49
	<u>81,736.97</u>
CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT)	(448.72)
UNRESTRICTED NET ASSETS (DEFICIT), at	
July 1, 2015	(26,853.87)
June 30, 2016	<u>(27,302.59)</u>

See Independent Auditor's Report on Supplemental Information.

PARKLAND PROPERTIES II
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2016

ASSETS	
CURRENT ASSETS	
Cash in bank	10,271.57
Tenant accounts receivable	4,316.01
Prepaid expenses	<u>799.69</u>
Total current assets	15,387.27
DEPOSITS HELD IN TRUST - FUNDED	
Tenant security deposits	2,550.00
RESTRICTED DEPOSITS AND FUNDED RESERVES	
Reserve for replacements	14,100.10
FIXED ASSETS	
Land	9,857.14
Buildings	<u>569,752.24</u>
Total fixed assets	579,609.38
Less accumulated depreciation	<u>(184,214.24)</u>
Total Assets	<u>395,395.14</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable - trade	2,495.32
Prepaid rent	<u>30.00</u>
Total current liabilities	2,525.32
DEPOSIT LIABILITIES	
Tenant security deposits (contra)	1,900.00
LONG-TERM LIABILITIES	
Loan - New Directions Housing Corporation	<u>84,765.82</u>
Total liabilities	89,191.14
NET ASSETS	
Unrestricted net assets	<u>338,241.37</u>
Total unrestricted net assets	<u>338,241.37</u>
Total Liabilities and Net Assets	<u><u>427,432.51</u></u>

See Independent Auditor's Report on Supplemental Information.

PARKLAND PROPERTIES II
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	INCOME	
	Rent	32,711.00
	Tenant charges	1,796.00
		<u>34,507.00</u>
	EXPENSES	
	Administrative	10,016.65
	Utilities	4,101.32
	Operating and maintenance	5,639.35
	Insurance	3,585.93
	Depreciation	22,189.00
	Taxes and license	264.60
		<u>45,796.85</u>
CHANGE IN UNRESTRICTED NET ASSETS		(11,289.85)
UNRESTRICTED NET ASSETS, at	JULY 1, 2015	349,531.22
UNRESTRICTED NET ASSETS, at	June 30, 2016	<u>338,241.37</u>

See Independent Auditor's Report on Supplemental Information.

MARKET STREET PROPERTIES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS	
CURRENT ASSETS	
Cash in bank	1,338.32
Prepaid expenses	708.22
Tenant accounts receivable	<u>250.00</u>
Total current assets	2,296.54
DEPOSITS HELD IN TRUST - FUNDED	
Tenant security deposits	4,620.00
RESTRICTED DEPOSITS AND FUNDED RESERVES	
Reserve for replacements	100.00
FIXED ASSETS	
Land	19,164.34
Buildings	<u>443,699.09</u>
Total fixed assets	462,863.43
Less accumulated depreciation	<u>(31,425.64)</u>
Total Assets	<u>431,437.79</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable - trade	134,439.15
Prepaid rent	<u>1,296.00</u>
Total current liabilities	135,735.15
DEPOSIT LIABILITIES	
Tenant security deposits (contra)	1,300.00
LONG-TERM LIABILITIES	
Loan - New Directions Housing Corporation	21,347.89
Mortgage Payable - Louisville/Metro Government	<u>176,779.44</u>
Total long-term liabilities	198,127.33
Total liabilities	335,162.48
NET ASSETS	
Unrestricted net assets	<u>103,291.85</u>
Total unrestricted net assets	103,291.85
Total Liabilities and Net Assets	<u>438,454.33</u>

See Independent Auditor's Report on Supplemental Information.

MARKET STREET PROPERTIES
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	INCOME
Rent	42,254.50
Tenant charges	4,964.50
Other	984.17
	<u>48,203.17</u>
EXPENSES	
Administrative	9,325.01
Utilities	4,259.98
Operating and maintenance	16,432.07
Insurance	3,101.33
Depreciation	13,557.27
Taxes and license	302.30
	<u>49,977.96</u>
CHANGE IN UNRESTRICTED NET ASSETS	(1,774.79)
UNRESTRICTED NET ASSETS, at	July 1, 2015
	<u>105,066.64</u>
UNRESTRICTED NET ASSETS, at	June 30, 2016
	<u><u>103,291.85</u></u>

See Independent Auditor's Report on Supplemental Information.