

Family Scholar House, Inc. and Subsidiaries

**Consolidated Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2016 and 2015

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

Family Scholar House, Inc. and Subsidiaries

Index

	<u>Page</u>
Independent Auditor's Report	3
Consolidated Financial Statements	
Consolidated Statements of Financial Position	6
Consolidated Statements of Activities	7
Consolidated Statements of Changes in Net Assets	8
Consolidated Statements of Functional Expenses	9
Consolidated Statements of Cash Flows	11
Notes to Consolidated Financial Statements	12
Supplementary Information	
Consolidating Information	29

Independent Auditor's Report

To the Board of Trustees
Family Scholar House, Inc.
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Family Scholar House, Inc. and Subsidiaries (collectively "the Organization"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 statement. 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 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 Family Scholar House, Inc. and Subsidiaries as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary information on pages 29 through 34 is presented for 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 audits 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 financial statements as a whole.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Charlotte, North Carolina
September 20, 2016

Family Scholar House, Inc. and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents - corporate operations	\$ 1,375,266	\$ 851,785
Cash and cash equivalents - operating partnerships	159,163	209,771
Cash, tenant security deposits	36,043	31,967
Cash, restricted - corporate operations	319,596	371,514
Accounts receivable, net - corporate operations	5,719	5,719
Accounts receivable, net - operating partnerships	48,204	17,149
Pledges receivable, net	44,326	123,274
Grants receivable	160,436	40,993
Prepaid expenses and other assets	96,678	87,171
	2,245,431	1,739,343
Total current assets		
Net property and equipment - corporate operations	3,607,957	3,718,333
Net property and equipment - operating partnerships	31,626,334	32,942,502
	35,234,291	36,660,835
Total property and equipment		
Other long-term assets		
Restricted property reserves - operating partnerships	1,791,410	1,768,835
Pledges receivable - long-term	86,000	-
Other assets, net - operating partnerships	254,721	272,837
	2,132,131	2,041,672
Total other long-term assets		
Total assets	\$ 39,611,853	\$ 40,441,850

Family Scholar House, Inc. and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Liabilities		
Current liabilities		
Accounts payable and accrued expenses - corporate operations	\$ 30,348	\$ 24,389
Accounts payable and accrued expenses - operating partnerships	90,610	86,344
Accrued interest	3,319	4,555
Current portion of notes payable - corporate operations	27,651	901,950
Current portion of notes payable - operating partnerships	25,519	24,705
Deferred revenue and other liabilities	223,420	220,187
Tenant security deposits - operating partnerships	51,154	47,068
Total current liabilities	452,021	1,309,198
Long-term liabilities		
Accrued interest	83,260	87,037
Accrued interest, affiliates	-	518,000
Notes payable, less current portion, net - corporate operations	2,636,508	1,788,947
Notes payable, less current portion, net - operating partnerships	2,958,334	2,645,349
Deferred revenue and other liabilities	1,955,020	2,503,507
Total long-term liabilities	7,633,122	7,024,840
Total liabilities	8,085,143	8,334,038
Commitments	-	-
Net Assets		
Unrestricted net assets, controlling - corporate operations	9,144,403	8,724,888
Unrestricted net assets, noncontrolling - operating partnerships	21,727,359	23,000,452
Total unrestricted net assets	30,871,762	31,725,340
Temporarily restricted net assets	654,948	382,472
Total net assets	31,526,710	32,107,812
Total liabilities and net assets	\$ 39,611,853	\$ 40,441,850

Family Scholar House, Inc. and Subsidiaries

**Consolidated Statements of Activities
Years Ended June 30, 2016 and 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues						
Rent - net of vacancies	\$ 1,507,596	\$ -	\$ 1,507,596	\$ 1,552,072	\$ -	\$ 1,552,072
Service fees	47,500	-	47,500	57,500	-	57,500
Philanthropy	861,831	-	861,831	654,060	-	654,060
Grants	267,449	498,955	766,404	254,636	441,228	695,864
Interest	2,949	-	2,949	2,007	-	2,007
Other	196,439	-	196,439	306,997	-	306,997
Release of restricted net assets	226,479	(226,479)	-	364,532	(364,532)	-
Total revenues	3,110,243	272,476	3,382,719	3,191,804	76,696	3,268,500
Expenses and losses						
Compensation	979,789	-	979,789	966,645	-	966,645
Administrative	458,290	-	458,290	492,849	-	492,849
Professional services	103,228	-	103,228	112,956	-	112,956
Depreciation and amortization	1,488,548	-	1,488,548	1,494,079	-	1,494,079
Facility	734,593	-	734,593	700,630	-	700,630
Interest and fees	192,269	-	192,269	221,234	-	221,234
Project expenses	7,104	-	7,104	6,623	-	6,623
Total expenses and losses	3,963,821	-	3,963,821	3,995,016	-	3,995,016
Change in net assets						
Consolidated	(853,578)	272,476	(581,102)	(803,212)	76,696	(726,516)
Attributable to non-controlling interest	(1,273,093)	-	(1,273,093)	(1,258,197)	-	(1,258,197)
Change in net assets attributable to Family Scholar House, Inc.	\$ 419,515	\$ 272,476	\$ 691,991	\$ 454,985	\$ 76,696	\$ 531,681

Family Scholar House, Inc. and Subsidiaries

**Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2016 and 2015**

	Unrestricted Net Assets			Temporarily Restricted Net Assets	Total Net Assets
	Controlling	Noncontrolling	Total		
Balance, July 1, 2014	\$ 8,269,903	\$ 23,959,725	\$ 32,229,628	\$ 305,776	\$ 32,535,404
Contributions	-	298,924	298,924	-	298,924
Change in net assets	454,985	(1,258,197)	(803,212)	76,696	(726,516)
Balance, June 30, 2015	8,724,888	23,000,452	31,725,340	382,472	32,107,812
Change in net assets	419,515	(1,273,093)	(853,578)	272,476	(581,102)
Balance, June 30, 2016	<u>\$ 9,144,403</u>	<u>\$ 21,727,359</u>	<u>\$ 30,871,762</u>	<u>\$ 654,948</u>	<u>\$ 31,526,710</u>

Family Scholar House, Inc. and Subsidiaries

**Consolidated Statements of Functional Expenses
Year Ended June 30, 2016**

	Program Services	General and Administrative	Fundraising	Operating Partnerships	Total
Assistance Payments	\$ 92,917	\$ -	\$ -	\$ -	\$ 92,917
Automobile Expense	11,153	103	-	11,769	23,025
Depreciation and Amortization	132,351	14,390	-	1,341,807	1,488,548
Dues and Memberships	3,040	-	-	-	3,040
Employee Benefits	59,003	3,613	-	31,055	93,671
Employee Training	17,340	4,000	-	3,876	25,216
Insurance	4,632	9,529	-	57,216	71,377
Interest and Other Expenses	48,877	-	-	141,108	189,985
Legal and Accounting	-	36,045	-	-	36,045
Miscellaneous	5,232	4,521	-	91,367	101,120
Newsletter	-	-	9,863	-	9,863
Office Supplies	8,919	764	-	95,159	104,842
Payroll Tax	46,118	3,358	1,581	23,642	74,699
Printing and Postage	2,098	234	-	1,537	3,869
Professional Fees	-	-	24,000	44,653	68,653
Program Publications	43,244	-	-	-	43,244
Public Relations	-	-	14,311	-	14,311
Repairs and Maintenance	5,379	654	-	128,012	134,045
Salary and Wages	564,683	42,913	23,198	103,843	734,637
Telephone and Internet	13,029	1,144	-	77,251	91,424
Utilities	19,319	1,519	-	170,169	191,007
Management and Other Partnership Fees	-	-	-	114,858	114,858
Facility Expense	-	1,083	-	249,067	250,150
Administrative Expenses	-	-	-	3,275	3,275
Total Expenses	\$ 1,077,334	\$ 123,870	\$ 72,953	\$ 2,689,664	\$ 3,963,821

Family Scholar House, Inc. and Subsidiaries

**Consolidated Statements of Functional Expenses
Year Ended June 30, 2015**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Operating Partnerships</u>	<u>Total</u>
Assistance Payments	\$ 130,039	\$ -	\$ -	\$ -	\$ 130,039
Automobile Expense	11,244	14	-	8,505	19,763
Depreciation and Amortization	137,306	11,706	-	1,345,067	1,494,079
Dues and Memberships	2,651	-	-	-	2,651
Employee Benefits	60,952	3,341	-	30,052	94,345
Employee Training	14,172	3,000	-	5,438	22,610
Insurance	4,004	9,118	-	59,407	72,529
Interest and Other Expenses	55,738	-	-	138,370	194,108
Legal and Accounting	-	45,393	-	4,015	49,408
Miscellaneous	16,661	15,676	-	87,802	120,139
Newsletter	-	-	9,253	-	9,253
Office Supplies	10,166	985	-	95,282	106,433
Payroll Tax	44,651	3,033	1,345	24,326	73,355
Printing and Postage	671	90	-	1,266	2,027
Professional Fees	-	-	24,000	42,428	66,428
Program Publications	43,985	-	-	-	43,985
Public Relations	-	-	15,589	-	15,589
Repairs and Maintenance	14,379	1,390	-	123,857	139,626
Salary and Wages	558,374	35,042	21,499	102,467	717,382
Telephone and Internet	10,289	1,354	-	73,927	85,570
Utilities	20,595	1,050	-	170,394	192,039
Management and Other Partnership Fees	-	-	-	114,441	114,441
Facility Expense	-	-	-	213,711	213,711
Administrative Expenses	-	9,075	-	6,431	15,506
Total Expenses	\$ 1,135,877	\$ 140,267	\$ 71,686	\$ 2,647,186	\$ 3,995,016

Family Scholar House, Inc. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended June 30, 2016 and 2015

	2016	2015
Operating activities		
Changes in net assets	\$ (581,102)	\$ (726,516)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,488,548	1,494,079
Forgiveness of debt	(205,790)	(205,792)
Cash, tenant security deposits	(4,076)	(60)
Accounts receivable, net	(31,055)	202,701
Grants receivable	78,948	(108,341)
Pledges receivable, net	(205,443)	102,580
Prepaid expenses and other assets	(9,507)	(3,030)
Accounts payable	10,225	(2,546)
Accrued interest payable	(5,013)	23,020
Deferred revenue	3,233	(117,047)
Tenant security deposits, net	4,086	(6,237)
	543,054	652,811
Net cash provided by operating activities		
Investing activities		
Net change in restricted cash and reserves	(22,575)	(156,089)
Net change in property and equipment	(43,488)	(95,713)
	(408,760)	(378,765)
Net cash used in investing activities		
Financing activities		
Proceeds from notes payable	340,000	-
Principal payments on notes payable	(52,939)	(47,111)
Financing fees	(400)	3,512
Capital contributions from investor partners	-	298,924
	286,661	255,325
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	420,955	529,371
Cash and cash equivalents at beginning of year	1,433,070	903,699
	\$ 1,854,025	\$ 1,433,070
Cash and cash equivalents at end of year		
	\$ 195,362	\$ 190,488
Cash paid for interest		

Family Scholar House, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2016 and 2015

Note 1 - Nature of activities

Family Scholar House, Inc. ("FSH" or the "Organization") is a not-for-profit, community-based collaborative effort, serving Kentucky and Southern Indiana, which assists single parents in obtaining a college degree. FSH works to end the cycle of poverty and transform our community by empowering families and youth to succeed in education and achieve life-long self-sufficiency. FSH accomplishes this mission through providing holistic support for participants. This begins with academic advising to ensure students, who may have been away from the educational environment for some time, develop the skills and leverage the tools to make them successful in their academic endeavors. Case management is also an integral component of the FSH support services. Participants meet with case managers twice monthly to identify any challenges for the family and provide resources to overcome those challenges. Many of the participants come to FSH lacking some of the basic life skills necessary for them to be self-sufficient including financial literacy, healthful eating, stress management and physical fitness. FSH engages volunteers throughout the community to bring expertise to the participants in these areas and many more. With a small staff of only 11, FSH leverages volunteers to help create the continuum of service necessary for FSH participants to succeed. While the parent scholar is at the center of many programs of FSH, the children scholars also receive the support and resources they need to become successful students and aspire to proceed to higher education in their adult life. This includes programs like Toddler Book Club, Children for Change and summer leadership camps. FSH creates a college-going culture for every participant in the program. The continuum of care described above is available for all participants, as housing units become available, with some participants residing at one of the four FSH campus in Louisville, Kentucky . These campuses become communities of peer support, providing a network of people with similar backgrounds and experiences who strengthen and encourage one another through the challenges of higher education. Thus Family Scholar House, Inc. is an educational program with a housing component that utilizes internal resources and community collaborations to meet the needs of the families served. FSH is supported primarily through donor contributions, grants and fund-raising activities.

Note 2 - Significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Family Scholar House and its wholly-owned subsidiaries, collectively referred to as the Corporate Operations:

Project Women Development, LLC ("PWD") is a single member limited liability company, which was formed in February 2008, and whose purpose is to consult and manage the construction of the Louisville Scholar House property. PWD serves as the managing member of Louisville Scholar House, LLC.

DSH GP, Inc. is a wholly-owned for-profit corporation, which was formed in March 2010 for the purpose of being the general partner in Downtown Scholar House, LLLP.

SJSH GP, LLC is a single member limited liability company, which was formed in December 2010 for the purpose of being the general partner in Stoddard-Johnston Scholar House, LLLP.

Parkland GP, LLC is a single member limited liability company, which was formed in December 2012 for the purpose of being the general partner in Parkland Scholar House, LLLP.

The accompanying consolidated financial statements also include the accounts of the Organization's investments in limited partnerships or limited liability companies in which Family

Family Scholar House, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2016 and 2015

Scholar House, Inc. has a controlling interest. These entities are included in the consolidation according to generally accepted accounting principles (GAAP) which require the partnership accounts be consolidated for all limited partnerships or limited liability companies which are deemed to be controlled by the Organization. All intercompany transactions have been eliminated in consolidation.

The following entities are included in the consolidated financial statements of the Organization, collectively known as Operating Partnerships:

Louisville Scholar House, LLC (the "Company") was formed to fund construction of 56 independent living apartments and a child development center in Louisville, Kentucky. Construction was completed in August 2008. National City Community Development Corporation is the limited partner owning a 99.99% partnership interest, in exchange for a loan commitment of approximately \$7,035,000 to the Company, and has received low-income tax credits generated by the Company.

Downtown Scholar House, LLLP (the "Partnership") was formed to fund the rehabilitation and construction of 54 independent living apartments in Louisville, Kentucky. The construction of the apartments was completed in January 2011. Ohio Equity Fund for Housing Limited Partnership XXIII is the limited partner owning a 99.9% partnership interest, in exchange for an equity commitment of approximately \$3,003,000 to the DSH Partnership, and has received low-income tax credits generated by the Partnership. Additional financing to complete construction of this project is being provided by grants and loans from governmental agencies.

Stoddard-Johnston Scholar House, LLLP (the "Partnership") was formed to fund the rehabilitation and construction of 57 independent living apartments in Louisville, Kentucky through certain tax credits generated by the SJSH Partnership along with various grants and loans from government agencies. The construction of the apartments was completed in March 2012. PNC Bank, NA, is the limited partner owning a 99.99% partnership interest, in exchange of an equity commitment of approximately \$9,309,000 to the Partnership, and has received low-income tax credits generated by the Partnership.

Parkland Scholar House, LLLP (the "Partnership") was formed to fund the rehabilitation and construction of 48 independent living apartments in Louisville, Kentucky through certain tax credits generated by the Parkland Partnership along with various grants and loans from government agencies. The construction of the apartments was completed in August 2013. PNC Bank, NA, is the limited partner owning a 99.9% partnership interest, in exchange of an equity commitment of approximately \$8,500,000 and is to receive low-income tax credits generated by the Partnership.

Basis of accounting

The consolidated financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP for non-governmental entities.

Revenue recognition

Rental income, principally from short-term leases on apartment units is recognized as the rentals become due.

The Organization recognizes gifts of cash and other assets as unrestricted revenue unless they are received with donor restrictions. Gifts with restrictions are reported as restricted revenue. When a

Family Scholar House, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2016 and 2015

donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Unconditional promises to give are recorded as revenue at estimated net realizable value. Conditional promises to give are not included as revenue until the conditions are substantially met or unless the possibility that the condition will not be met is remote. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue in the period of receipt. Unconditional promises to give with payments due in future periods are discounted to present value and reported as temporarily restricted revenue.

Special event revenues are recognized when the event is held. Contributions received at or related to a special event are recorded as Philanthropy in the Consolidated Statements of Activities.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates.

Cash and cash equivalents

The Organization considers all highly-liquid investments with maturities when purchased of three months or less, that are not designated for a specific purpose to be cash equivalents. The Organization typically maintains balances with its bank in excess of federally-insured limits.

Restricted cash

Program participants have the option of making regular payments to a Participant Future Fund. These restricted funds are maintained by the Organization and disbursed to the participants at the completion of the program.

The Operating Partnerships are required to make monthly deposits for replacement reserves and taxes and insurance escrows in a separate account held by the project. The mortgagor for the Operating Partnership controls these escrow deposits.

Accounts receivable and bad debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Property and equipment

Property and equipment purchased by the Organization are stated at cost. Property and equipment donated to the Organization are stated at estimated fair value at the date of donation. The Organization's policy is to capitalize all long-lived assets with a cost greater than \$500. Depreciation of property and equipment is provided on the straight-line basis over the estimated useful lives of the assets ranging from 3 to 40 years.

Impairment of long-lived assets

In accordance with GAAP, management continually monitors events and changes in circumstances, which could indicate that the carrying value of real estate may not be recoverable. If events or changes in circumstances are present, management assesses the recoverability of real estate by determining whether the carrying value will be recovered through the undiscounted future cash

Family Scholar House, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2016 and 2015

flows expected to be generated from its uses and eventual disposition. If the carrying amount of the real estate exceeds its estimated undiscounted cash flows, the impairment to be recognized is measured by the amount of its carrying value of the real estate that exceeds its fair value. No impairment loss has been recognized during the years ended June 30, 2016 and 2015.

Deferred fees and amortization

Financing costs associated with mortgages are amortized using the straight-line method over the life of the related loans, which approximates the effective interest method.

Tax credit monitoring fees are being amortized using the straight-line method over the fifteen-year tax credit compliance period.

Amortization expense for the years ended June 30, 2016 and 2015 was \$23,141 and \$23,124, respectively. Estimated amortization expense for each of the ensuing years through June 30, 2021 is as follows:

2017	\$	23,164
2018		23,164
2019		23,164
2020		23,164
2021		23,164

Basis of presentation and net assets

GAAP requires the Organization to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Furthermore, program service expenses must be segregated from management and general expenses. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted. Unrestricted net assets are those that have no external restrictions. Temporarily restricted net assets are those net assets for which use is limited by donors to a specific time period and/or purpose. Permanently restricted net assets are those net assets for which use is restricted in perpetuity by donors. The Organization had no permanently restricted net assets at June 30, 2016 and 2015.

Non-controlling interest in operating partnerships

This represents the aggregate balance of limited partner or investor member equity interests in the non-wholly owned limited partnerships or limited liability companies that are included in the consolidated financial statements.

Income tax status

FSH and its consolidated nonprofit corporations are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state statutes. FSH did not have any unrelated business income for the years ended June 30, 2016 and 2015. All nonprofit corporations are required to file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and there are no other tax positions which must be considered for disclosure. For the years ended June 30, 2016 and 2015, the Organization did not identify any uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

DSH GP, Inc. is a corporation subject to income taxes. No income taxes were due and payable for the years ended December 31, 2015 and 2014.

Family Scholar House, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2016 and 2015

The Operating Partnerships in which the Organization has an ownership interest have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by their owners on their respective income tax returns. The Operating Partnerships' federal tax statuses are based on their legal status as a partnership or a limited liability company. Accordingly, the Operating Partnerships are not required to take any tax positions in order to qualify as a pass-through entity. The Operating Partnerships are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Operating Partnerships have no other tax positions which must be considered for disclosure.

Income tax returns filed by the Organization and its consolidated entities are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2013 remain open.

Contributed services, supplies and property

Certain contributed services, supplies, and property are recorded as support and expenses or a related asset at fair value when determinable, otherwise at values indicated by the donor. The Organization received contributed services, supplies, and property of \$21,399 and \$29,068, respectively, during the years ended June 30, 2016 and 2015.

Functional allocation of expenses

The costs of providing the various programs, fundraising and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Reclassifications have been made to the prior year balances to conform to the current year presentation.

Note 3 - Cash and deposits

Cash and deposits are categorized as unrestricted, which include board-designated amounts for a specific purpose, or restricted. Unrestricted cash held by the Operating Partnerships is generally not available for corporate purposes but is instead limited for use within individual properties.

At June 30, 2016 and 2015, cash and deposits were as follows:

	2016	2015
Unrestricted cash - corporate operations	\$ 1,375,266	\$ 851,785
Restricted cash - corporate operations	319,596	371,514
Total cash - corporate operations	<u>\$ 1,694,862</u>	<u>\$ 1,223,299</u>
Unrestricted cash - operating partnerships	\$ 159,163	\$ 209,771
Restricted cash - tenant security deposits - operating partnerships	36,043	31,967
Restricted cash - restricted property reserves operating partnerships	1,791,410	1,768,835
Total cash - operating partnerships	<u>\$ 1,986,616</u>	<u>\$ 2,010,573</u>

Family Scholar House, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2016 and 2015

Note 4 - Pledges and grants receivable

Pledges and grants receivable at June 30, 2016 consist of unconditional promises to give with future maturities as follows:

2017	\$	204,762
2018		22,000
2019		22,000
2020		22,000
2021		20,000
Thereafter		<u>-</u>
Total pledge receivable	\$	<u><u>290,762</u></u>

The valuation of pledges and grants receivable is based upon a detail analysis of past due accounts and the history of uncollectible accounts. At June 30, 2016 and 2015, the Organization considers all pledges and grants receivable to be fully collectible; accordingly, no allowance for uncollectible pledges and grants was recorded.

As of June 30, 2016 and 2015, the Organization had received a conditional promise to give with a balance of \$0 and \$400,000, respectively. This conditional promise to give will not be recognized as an asset or revenue until the conditions are substantially met.

Note 5 - Property and equipment

Property and equipment consists of the following at June 30, 2016 and 2015:

	2016	2015
Land and land improvements	\$ 2,402,986	\$ 2,402,986
Buildings	39,130,123	39,108,540
Furniture and equipment	<u>1,048,665</u>	<u>1,026,760</u>
Total property and equipment	42,581,774	42,538,286
Less accumulated depreciation	<u>(7,347,483)</u>	<u>(5,877,451)</u>
Property and equipment, net	<u><u>\$ 35,234,291</u></u>	<u><u>\$ 36,660,835</u></u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$1,465,407 and \$1,470,955, respectively.

Note 6 - Property management fee

The Operating Partnerships have entered into management agreements with Winterwood, Inc. for the management of the rental operations of the properties. The management company charges a monthly fee of \$35 per occupied unit or 6% of monthly rents collected, as defined. During the years ended June 30, 2016 and 2015, \$90,180 and \$90,063 of the management fees have been charged to operations, respectively.

Family Scholar House, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2016 and 2015**

Note 7 - American Recovery and Reinvestment Act (ARRA)

On May 17, 2010, Downtown Scholar House, LLLP entered into a \$3,086,874 note payable with the Kentucky Housing Corporation, which was funded with through the Tax Credit Exchange Program (TCEP) pursuant to section 1602 of the American Recovery and Reinvestment Act of 2009. Under Section 1602, state housing agencies can exchange allocations of low-income housing tax credits (LIHTC) which have been allocated to their state under Section 42 of the Internal Revenue Code (Section 42) for cash at a prescribed rate of up to \$.85 for each dollar of LIHTC. In turn, the state housing agencies can use Section 1602 funds to make forgivable loans to properties that qualify for LIHTC.

Downtown Scholar House, LLLP's loan does not bear interest and matures on November 15, 2026. Under the loan agreement, loan principal is forgiven annually at the rate of 6.67% over the 15-year tax credit compliance period. Forgiveness is subject to Downtown Scholar House, LLLP maintaining compliance with Section 42. During the years ended June 30, 2016 and 2015, Downtown Scholar House, LLLP recognized \$205,790 and \$205,792, respectively as income from debt forgiveness. As of June 30, 2016 and 2015, the outstanding balance of this note was \$2,160,812 and \$2,366,602, respectively.

The note is secured by a mortgage on the rental property and assignment of leases and rents.

Note 8 - Development fee

Stoddard-Johnston Scholar House, LLP has entered into a development agreement with Marian Development Group, LLC, a Kentucky Limited Liability Company. The agreement provides for development fee and overhead in the amount of \$1,475,000 for services in connection with the development of the Project and supervision of construction. As of June 30, 2016 and 2015, \$0 and \$342,697, respectively, of developer fee remains payable and recorded as Deferred revenue and other liabilities in the Consolidated Statements of Financial Position.

Family Scholar House, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2016 and 2015**

Note 9 - Notes payable

Notes payable consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Forgivable loan from a government agency, collateralized by a mortgage and regulatory agreement, bearing 0% interest. The note will be forgiven in full at its maturity in December 2040 as long as the Organization maintains compliance with the affordability requirements in the funding commitment agreement.	\$ 1,000,000	\$ 1,000,000
Term loan with Republic Bank, due in monthly installments of \$6,551 including interest at 5.69% through April 6, 2016 when the remaining balance was initially due. The loan was refinanced In January 2016 and requires monthly installments of \$5,621 including interest at 4.55% and a final maturity of April 6, 2021. The Academic Services building is pledged as collateral on this loan. For the years ended June 30, 2016 and 2015, interest expense of \$45,988 and \$52,849, respectively, was charged to operations.	875,212	901,950
Note payable to a government agency, collateralized by a mortgage and regulatory agreement, bearing interest at 1%. Principal and interest are payable on or before the maturity date in December 2030. Interest may be paid yearly. For the years ended June 30, 2016 and 2015, interest expense of \$2,889 and \$2,889, respectively, was charged to operations.	288,947	288,947
Forgivable loan from a government agency, collateralized by a mortgage and regulatory agreement, bearing 0% interest. The note will be forgiven in full at its maturity in February 2032 as long as the Organization maintains compliance with the affordability requirements in the funding commitment agreement.	500,000	500,000

Family Scholar House, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Note payable to Citizens Union Bank due in September 2026 at an interest rate of 7.5%. Monthly payments of principal and interest of \$9,734 began in 2013. The loan is secured by a first mortgage lien on the rental property. For the years ended June 30, 2016 and 2015, interest expense of \$77,821 and \$78,443, respectively, was charged to operations.	1,014,360	1,025,541
Note payable to PNC Bank due in January 2027 at interest rate of 5.75% with monthly payments of principal and interest of \$5,054. The loan is secured by a first mortgage lien on the rental property. For the year ended June 30, 2016 and 2015, interest expense of \$48,090 and \$50,879, respectively, was charged to operations.	829,493	844,513
Note payable to CDBG at an interest rate of 1% due on December 31, 2030. The note is secured by a second mortgage on the rental property. For the year ended June 30, 2016 and 2015, interest expense of \$3,000 and \$3,000 respectively, was charged to operations.	300,000	300,000
HOME note payable to the Louisville/Jefferson County Metro Government at an interest rate of 1%, due in February 2031. For the years ended June 30, 2016 and 2015, interest expense of \$5,000 and \$5,000, respectively, was charged to operations.	500,000	500,000
Note payable to Louisville Metro Housing Authority, without interest, due in March 2056. If the note is not paid on or before the maturity date, the note shall thereafter bear interest on the outstanding principal balance at an annual rate of 10% until paid. For the years ended June 30, 2016 and 2015, no interest expense was charged to operations.	340,000	-
	<u>\$ 5,648,012</u>	<u>\$ 5,360,951</u>

Family Scholar House, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2016 and 2015**

Future maturities of notes payable are as follows:

For the year ended June 30, 2017	\$	53,170
2018		57,244
2019		60,557
2020		63,975
2021		791,203
Thereafter		<u>4,621,863</u>
		<u>\$ 5,648,012</u>

Note 10 - Temporarily restricted net assets

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Capital campaign	\$ 555,000	\$ 300,000
Various other programs	<u>99,948</u>	<u>82,472</u>
	<u>\$ 654,948</u>	<u>\$ 382,472</u>

Note 11 - Related party transactions

The Organization has significant related party transactions with affiliates. It provides development services, fund raising assistance, resident and administrative services.

Notes and interest receivable, affiliates

The amounts loaned by the Organization primarily represent predevelopment and development loans to affiliates. These loans are generally collateralized with real estate of the funded property. These loans have been eliminated in consolidation.

Development fee income

Generally, all development fee income is earned in connection with affiliated entities. Development fees which are paid from operating cash flows from affiliated entities are eliminated in consolidation.

Note 12 - Guarantor agreements

The Organization is the general partner in various limited partnerships for the purpose of purchasing, constructing, rehabilitating and operating low-income housing in the Louisville Metro area. As general partner, the Organization is obligated to guarantee amounts borrowed by the partnerships and lend amounts to the partnerships to avoid any cash flow deficits from partnership operations.

Note 13 - Fundraising events

The Organization held various fundraising events to raise awareness among the attendees and the local community as to the Organization's cause, and to solicit donations. Gross revenues and direct

Family Scholar House, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2016 and 2015

event expenses related to fundraising events during the years ended June 30, 2016 and 2015 were as follows are recorded as Philanthropy in the Consolidated Statements of Activities:

	<u>2016</u>	<u>2015</u>
Revenues	\$ 355,850	\$ 384,043
Expenses	<u>(99,148)</u>	<u>(155,935)</u>
	<u>\$ 256,702</u>	<u>\$ 228,108</u>

Note 14 - Retirement Plan

The Organization has a SIMPLE IRA plan to fund retirement for its employees. The Organization matches employees' contributions up to three percent of their compensation. The Organization made contributions of \$12,809 and \$14,728 for the years ended June 30, 2016 and 2015, respectively.

Note 15 - Concentrations

During the year ended June 30, 2016, the Organization received 19.37% of its unrestricted contribution revenue from four donors. The single largest donor was \$56,924 and the next three totaled \$110,048. During the year ended June 30, 2015, the Organization received 13.19% of its unrestricted contribution revenue from four donors. The single largest donor was \$30,000 and the next three totaled \$56,280. During the years ended June 30, 2016 and 2015, the Organization received 32% and 33%, respectively, of its unrestricted grant revenue from one grantor agency.

During the years ended June 30, 2016 and 2015, the Organization received 17% and 58%, respectively, of its restricted grant revenue from one grantor agency.

As of June 30, 2016 and 2015, 34% and 50%, respectively, of pledges and grants receivable was due from a single donor.

Note 16 - Commitments and Contingencies

Property use restrictions

Several of the properties owned by the Organization were developed using monies provided by grants and restrictive, low interest rate loans. The terms of these loans restrict the use of the property and generally require it to be rented to low-income qualified tenants for the period of the grant or related loan term. Failure to comply with the terms of the grant or the loans would result in a requirement to repay a portion or all of the proceeds received.

Other

As general partners in various partnerships, the Organization and other consolidated entities may be subject to other liabilities should an affected partnership's assets become insufficient to meet its obligations.

The Organization has entered into an employment agreement with its President and Chief Executive Officer which provided for severance pay should she be terminated without cause. This commitment expires on June 30, 2020.

Family Scholar House, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Note 17 - Parent only financial statements

The financial statements of Family Scholar House, Inc. at June 30, 2016 and 2015 are as follows:

Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,375,266	\$ 851,785
Cash, restricted	319,596	371,514
Accounts receivable	5,719	5,719
Due from affiliates	40,071	36,364
Pledges receivable, net	44,326	123,274
Grants receivable	160,436	40,993
Prepaid expenses and other assets	27,695	23,815
	<u>1,973,109</u>	<u>1,453,464</u>
Total current assets		
	3,607,957	3,718,333
Net property and equipment		
Other long-term assets		
Due from affiliates	1,657,672	1,604,723
Investments in limited partnerships, net	499,496	499,856
Notes and interest receivable, affiliates	5,989,854	5,856,229
Pledges receivable - long-term	86,000	-
Other assets, net - corporate partnerships	383	-
	<u>8,233,405</u>	<u>7,960,808</u>
Total other long-term assets		
	<u>\$ 13,814,471</u>	<u>\$ 13,132,605</u>
Total assets		

Family Scholar House, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 30,348	\$ 24,389
Accrued interest	3,319	4,555
Current portion of notes payable	27,651	901,950
Deferred revenue and other liabilities	16,500	9,513
Tenant security deposits	20,067	17,867
	<u>97,885</u>	<u>958,274</u>
Total current liabilities		
Long-term liabilities		
Accrued interest	15,891	13,002
Notes payable, less current portion	2,636,508	1,788,947
	<u>2,652,399</u>	<u>1,801,949</u>
Total long-term liabilities		
Total liabilities	<u>2,750,284</u>	<u>2,760,223</u>
Net Assets		
Unrestricted net assets, controlling	10,409,239	9,989,910
Total unrestricted net assets	10,409,239	9,989,910
Temporarily restricted net assets	654,948	382,472
	<u>11,064,187</u>	<u>10,372,382</u>
Total net assets		
Total liabilities and net assets	<u>\$ 13,814,471</u>	<u>\$ 13,132,605</u>

Family Scholar House, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2016 and 2015**

**Statements of Activities
Years Ended June 30, 2016 and 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues						
Service fees	\$ 130,234	\$ -	\$ 130,234	\$ 142,639	\$ -	\$ 142,639
Philanthropy	861,831	-	861,831	654,060	-	654,060
Grants	267,449	498,955	766,404	254,636	441,228	695,864
Interest	205,910	-	205,910	203,821	-	203,821
Other	1,583	-	1,583	88,583	-	88,583
Release of restricted net assets	226,479	(226,479)	-	364,532	(364,532)	-
Total revenues	1,693,486	272,476	1,965,962	1,708,271	76,696	1,784,967
Expenses and losses						
Compensation	747,426	-	747,426	730,942	-	730,942
Administrative	237,827	-	237,827	276,472	-	276,472
Professional services	60,495	-	60,495	69,393	-	69,393
Depreciation and amortization	146,741	-	146,741	149,012	-	149,012
Facility	29,296	-	29,296	39,737	-	39,737
Interest and fees	49,241	-	49,241	79,984	-	79,984
Project expenses	2,771	-	2,771	2,290	-	2,290
(Gain)/loss on investment in limited partnership	360	-	360	-	-	-
Total expenses and losses	1,274,157	-	1,274,157	1,347,830	-	1,347,830
Excess (deficiency) of revenues over expenses	419,329	272,476	691,805	360,441	76,696	437,137
Net assets at beginning of year	9,989,910	382,472	10,372,382	9,629,469	305,776	9,935,245
Net assets at end of year	\$ 10,409,239	\$ 654,948	\$ 11,064,187	\$ 9,989,910	\$ 382,472	\$ 10,372,382

Family Scholar House, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2016 and 2015**

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating activities		
Changes in net assets	\$ 691,805	\$ 437,137
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
(Gain) loss on sale of assets		
Depreciation and amortization	146,741	149,012
Loss from investments in operating partnerships	360	2
Net changes in current assets and liabilities that provided (used) cash		
Accounts receivable, net	(3,707)	(25,658)
Grants receivable	(119,443)	102,580
Pledges receivable	(7,052)	(108,341)
Prepaid expenses and other assets	(3,880)	(1,961)
Accounts payable	5,959	(2,550)
Accrued interest payable	1,653	2,889
Deferred revenue	6,987	8,763
Tenant security deposits	2,200	(3,863)
	<u>721,623</u>	<u>558,010</u>
Investing activities		
Net change in property and equipment	(36,348)	(63,069)
Net change in investments in partnerships	(52,949)	(50,525)
Net change in notes receivable, affiliates	(133,625)	114,539
	<u>(222,922)</u>	<u>945</u>
Financing activities		
Principal payments on notes payable	(26,738)	(25,763)
License	(400)	
	<u>(27,138)</u>	<u>(25,763)</u>
Net increase (decrease) in cash and cash equivalents	471,563	533,192
Cash and cash equivalents at beginning of year	1,223,299	690,107
Cash and cash equivalents at end of year	<u>\$ 1,694,862</u>	<u>\$ 1,223,299</u>
Cash paid for interest	<u>\$ 47,224</u>	<u>\$ 61,924</u>

Family Scholar House, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2016 and 2015**

Note 18 - Subsequent events

Events that occur after the Consolidated Statement of Financial Position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Consolidated Statement of Financial Position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the Consolidated Statement of Financial Position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through September 20, 2016 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require disclosure in the notes to the consolidated financial statements.

Supplementary Information

Family Scholar House, Inc. And Subsidiaries
Consolidating Statement of Financial Position
June 30, 2016

	Family Scholar House, Inc.	Louisville Scholar House, LLC	Downtown Scholar House, LLLP	Stoddard Johnston Scholar House, LLLP	Parkland Scholar House, LLLP	Eliminations	Consolidated Family Scholar House, Inc.
Assets							
Current assets							
Cash and cash equivalents - corporate operations	\$ 1,375,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,375,266
Cash and cash equivalents - operating partnerships	-	25,222	2,478	28,296	103,167	-	159,163
Cash, tenant security deposits	-	12,002	9,381	10,260	4,400	-	36,043
Cash, restricted - corporate operations	319,596	-	-	-	-	-	319,596
Accounts receivable, net - corporate operations	5,719	-	-	-	-	-	5,719
Accounts receivable, net - operating partnerships	-	14,141	2,978	7,019	24,066	-	48,204
Due from affiliates	40,071	-	-	-	-	(40,071)	-
Pledges receivable, net	44,326	-	-	-	-	-	44,326
Grants receivable	160,436	-	-	-	-	-	160,436
Prepaid expenses and other assets	27,695	6,831	45,449	13,952	2,751	-	96,678
Total current assets	1,973,109	58,196	60,286	59,527	134,384	(40,071)	2,245,431
Property and equipment							
Land and land improvements	321,309	748,411	685,341	181,000	466,925	-	2,402,986
Buildings	3,590,731	11,250,691	7,806,454	10,305,458	7,905,286	(1,728,497)	39,130,123
Furniture and equipment	400,771	54,868	151,096	276,935	164,995	-	1,048,665
Accumulated depreciation	(704,854)	(2,959,672)	(1,261,385)	(1,930,054)	(1,017,841)	526,323	(7,347,483)
Net property and equipment	3,607,957	9,094,298	7,381,506	8,833,339	7,519,365	(1,202,174)	35,234,291
Other long-term assets							
Restricted property reserves - operating partnerships	-	138,193	642,896	534,508	475,813	-	1,791,410
Due from affiliates	1,657,672	-	-	-	-	(1,657,672)	-
Investments in limited partnerships, net	499,496	-	-	-	-	(499,496)	-
Notes and interest receivable, affiliates	5,989,854	-	-	-	-	(5,989,854)	-
Pledges receivable - long-term	86,000	-	-	-	-	-	86,000
Other assets, net - operating partnerships	383	48,827	33,977	110,669	60,865	-	254,721
Total other long-term assets	8,233,405	187,020	676,873	645,177	536,678	(8,147,022)	2,132,131
Total assets	\$ 13,814,471	\$ 9,339,514	\$ 8,118,665	\$ 9,538,043	\$ 8,190,427	\$ (9,389,267)	\$ 39,611,853

Family Scholar House, Inc. And Subsidiaries
Consolidating Statement of Financial Position
June 30, 2016

	Family Scholar House, Inc.	Louisville Scholar House, LLC	Downtown Scholar House, LLLP	Stoddard Johnston Scholar House, LLLP	Parkland Scholar House, LLLP	Eliminations	Consolidated Family Scholar House, Inc.
Liabilities							
Current liabilities							
Accounts payable and accrued expenses - corporate operations	\$ 30,348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,348
Accounts payable and accrued expenses - operating partnerships	-	14,600	28,338	18,415	29,257	-	90,610
Due to affiliates	-	5,500	-	30,971	3,600	(40,071)	-
Accrued interest	3,319	-	-	-	-	-	3,319
Current portion of notes payable - corporate operations	27,651	-	-	-	-	-	27,651
Current portion of notes payable - operating partnerships	-	-	12,287	13,232	-	-	25,519
Deferred revenue and other liabilities	16,500	-	205,792	1,128	-	-	223,420
Tenant security deposits - operating partnerships	20,067	9,902	8,675	8,210	4,300	-	51,154
Total current liabilities	97,885	30,002	255,092	71,956	37,157	(40,071)	452,021
Long-term liabilities							
Accrued interest	15,891	-	6,434	60,935	-	-	83,260
Accrued interest, affiliates	-	1,416,528	88,710	-	33,708	(1,538,946)	-
Notes payable, less current portion, net - corporate operations	2,636,508	-	-	-	-	-	2,636,508
Notes payable, less current portion, net - operating partnerships	-	-	1,002,073	1,956,261	-	-	2,958,334
Notes payable, less current portion, affiliates	-	4,164,239	1,734,574	-	209,767	(6,108,580)	-
Deferred revenue and other liabilities	-	-	1,955,020	-	-	-	1,955,020
Total long-term liabilities	2,652,399	5,580,767	4,786,811	2,017,196	243,475	(7,647,526)	7,633,122
Total liabilities	2,750,284	5,610,769	5,041,903	2,089,152	280,632	(7,687,597)	8,085,143
Net Assets							
Unrestricted net assets, controlling - corporate operations	10,409,239	-	-	-	-	(1,264,836)	9,144,403
Unrestricted net assets, controlling - operating partnerships	-	(318)	500,065	(1)	110	(499,856)	-
Unrestricted net assets, noncontrolling - operating partnerships	-	3,729,063	2,576,697	7,448,892	7,909,685	63,022	21,727,359
Total unrestricted net assets	10,409,239	3,728,745	3,076,762	7,448,891	7,909,795	(1,701,670)	30,871,762
Temporarily restricted net assets	654,948	-	-	-	-	-	654,948
Total net assets	11,064,187	3,728,745	3,076,762	7,448,891	7,909,795	(1,701,670)	31,526,710
Total liabilities and net assets	\$ 13,814,471	\$ 9,339,514	\$ 8,118,665	\$ 9,538,043	\$ 8,190,427	\$ (9,389,267)	\$ 39,611,853

Family Scholar House, Inc. And Subsidiaries
Consolidating Statement of Activities
and Changes in Net Assets
Year Ended June 30, 2016

	Family Scholar House, Inc.	Louisville Scholar House, LLC	Downtown Scholar House, LLLP	Stoddard Johnston Scholar House, LLLP	Parkland Scholar House, LLLP	Eliminations	Consolidated Family Scholar House, Inc.
Revenues							
Rent - net of vacancies	\$ -	\$ 405,988	\$ 355,334	\$ 410,879	\$ 335,395	\$ -	\$ 1,507,596
Service fees	130,234	-	-	-	-	(82,734)	47,500
Philanthropy	861,831	-	-	-	-	-	861,831
Grants	766,404	-	-	-	-	-	766,404
Interest	205,910	160	419	1,085	1,285	(205,910)	2,949
Other	1,583	11,423	201,158	(3,637)	(14,088)	-	196,439
Total revenues	1,965,962	417,571	556,911	408,327	322,592	(288,644)	3,382,719
Expenses and losses							
Compensation	747,426	55,333	55,600	62,271	59,159	-	979,789
Administrative	237,827	131,467	52,439	58,966	60,325	(82,734)	458,290
Professional services	60,495	9,740	7,546	13,411	12,036	-	103,228
Depreciation and amortization	146,741	390,199	232,920	431,577	349,959	(62,848)	1,488,548
Facility	29,296	248,561	159,931	167,232	129,573	-	734,593
Interest and fees	49,241	183,229	95,166	63,287	7,256	(205,910)	192,269
Project expenses	2,771	-	4,333	-	-	-	7,104
Total expenses and losses	1,274,157	1,018,529	607,935	796,744	618,308	(351,852)	3,963,821
Change in net assets	691,805	(600,958)	(51,024)	(388,417)	(295,716)	63,208	(581,102)
Net assets at beginning of year	10,372,382	4,329,703	3,127,786	7,837,308	8,205,511	(1,764,878)	32,107,812
Other transfers	-	-	-	-	-	-	-
Net assets at end of year	\$ 11,064,187	\$ 3,728,745	\$ 3,076,762	\$ 7,448,891	\$ 7,909,795	\$ (1,701,670)	\$ 31,526,710

Family Scholar House, Inc. And Subsidiaries
Consolidating Statement of Financial Position
June 30, 2015

	Family Scholar House, Inc.	Louisville Scholar House, LLC	Downtown Scholar House, LLLP	Stoddard Johnston Scholar House, LLLP	Parkland Scholar House, LLLP	Eliminations	Consolidated Family Scholar House, Inc.
Assets							
Current assets							
Cash and cash equivalents - corporate operations	\$ 851,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 851,785
Cash and cash equivalents - operating partnerships	-	64,578	33,554	22,883	88,756	-	209,771
Cash, tenant security deposits	-	10,326	9,235	8,770	3,636	-	31,967
Cash, restricted - corporate operations	371,514	-	-	-	-	-	371,514
Accounts receivable, net - operating partnerships	-	4,800	4,146	2,772	5,431	-	17,149
Due from affiliate	36,364	-	-	-	-	(36,364)	-
Pledges receivable, net	123,274	-	-	-	-	-	123,274
Grants receivable	40,993	-	-	-	-	-	40,993
Prepaid expenses and other assets	23,815	6,857	49,170	2,649	4,680	-	87,171
Total current assets	1,453,464	86,561	96,105	37,074	102,503	(36,364)	1,739,343
Property and equipment							
Land and land improvements	321,309	748,411	685,341	181,000	466,925	-	2,402,986
Buildings	3,569,148	11,250,691	7,806,454	10,305,458	7,905,286	(1,728,497)	39,108,540
Furniture and equipment	386,006	54,868	151,096	269,795	164,995	-	1,026,760
Accumulated depreciation	(558,130)	(2,573,777)	(1,032,042)	(1,504,023)	(672,954)	463,475	(5,877,451)
Net property and equipment	3,718,333	9,480,193	7,610,849	9,252,230	7,864,252	(1,265,022)	36,660,835
Other long-term assets							
Restricted property reserves - operating partnerships	-	143,276	625,801	542,640	457,118	-	1,768,835
Due from affiliates	1,604,723	-	-	-	-	(1,604,723)	-
Investments in limited partnerships, net	499,856	-	-	-	-	(499,856)	-
Notes and interest receivable, affiliates	5,856,229	-	-	-	-	(5,856,229)	-
Other assets, net - operating partnerships	-	53,131	37,554	116,215	65,937	-	272,837
Total other long-term assets	7,960,808	196,407	663,355	658,855	523,055	(7,960,808)	2,041,672
Total assets	\$ 13,132,605	\$ 9,763,161	\$ 8,370,309	\$ 9,948,159	\$ 8,489,810	\$ (9,262,194)	\$ 40,441,850

Family Scholar House, Inc. And Subsidiaries
Consolidating Statement of Financial Position
June 30, 2015

	Family Scholar House, Inc.	Louisville Scholar House, LLC	Downtown Scholar House, LLLP	Stoddard Johnston Scholar House, LLLP	Parkland Scholar House, LLLP	Eliminations	Consolidated Family Scholar House, Inc.
Liabilities							
Current liabilities							
Accounts payable and accrued expenses - corporate operations	\$ 24,389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,389
Accounts payable and accrued expenses - operating partnerships	-	15,231	31,891	18,743	20,479	-	86,344
Due to affiliates	-	11,000	-	21,764	3,600	(36,364)	-
Accrued interest	4,555	-	-	-	-	-	4,555
Current portion of notes payable - corporate operations	901,950	-	-	-	-	-	901,950
Current portion of notes payable - operating partnerships	-	-	12,210	12,495	-	-	24,705
Deferred revenue and other liabilities	9,513	-	205,792	4,882	-	-	220,187
Tenant security deposits	17,867	9,401	8,500	8,260	3,040	-	47,068
Total current liabilities	958,274	35,632	258,393	66,144	27,119	(36,364)	1,309,198
Long-term liabilities							
Accrued interest	13,002	-	4,043	69,992	-	-	87,037
Accrued interest, affiliates	-	1,233,298	71,372	-	19,534	(806,204)	518,000
Notes payable, less current portion, net - corporate operations	1,788,947	-	-	-	-	-	1,788,947
Notes payable, less current portion, net - operating partnerships	-	-	1,013,331	1,632,018	-	-	2,645,349
Notes payable, less current portion, affiliates	-	4,164,528	1,734,574	-	237,646	(6,654,748)	(518,000)
Deferred revenue and other liabilities	-	-	2,160,810	342,697	-	-	2,503,507
Total long-term liabilities	1,801,949	5,397,826	4,984,130	2,044,707	257,180	(7,460,952)	7,024,840
Total liabilities	2,760,223	5,433,458	5,242,523	2,110,851	284,299	(7,497,316)	8,334,038
Net Assets							
Unrestricted net assets, controlling - corporate operations	9,989,910	-	-	-	-	(1,265,022)	8,724,888
Unrestricted net assets, controlling - operating partnerships	-	(270)	499,980	36	110	(499,856)	-
Unrestricted net assets, noncontrolling - operating partnerships	-	4,329,973	2,627,806	7,837,272	8,205,401	-	23,000,452
Total unrestricted net assets	9,989,910	4,329,703	3,127,786	7,837,308	8,205,511	(1,764,878)	31,725,340
Temporarily restricted net assets	382,472	-	-	-	-	-	382,472
Total net assets	10,372,382	4,329,703	3,127,786	7,837,308	8,205,511	(1,764,878)	32,107,812
Total liabilities and net assets	\$ 13,132,605	\$ 9,763,161	\$ 8,370,309	\$ 9,948,159	\$ 8,489,810	\$ (9,262,194)	\$ 40,441,850

Family Scholar House, Inc. And Subsidiaries
Consolidating Statement of Activities
and Changes in Net Assets
Year Ended June 30, 2015

	Family Scholar House, Inc.	Louisville Scholar House, LLC	Downtown Scholar House, LLLP	Stoddard Johnston Scholar House, LLLP	Parkland Scholar House, LLLP	Eliminations	Consolidated Family Scholar House, Inc.
Revenues							
Rent - net of vacancies	\$ -	\$ 428,829	\$ 361,689	\$ 419,381	\$ 342,173	\$ -	\$ 1,552,072
Service fees	142,639	-	-	-	-	(85,139)	57,500
Philanthropy	654,060	-	-	-	-	-	654,060
Grants	695,864	-	-	-	-	-	695,864
Interest	203,821	136	593	698	580	(203,821)	2,007
Other	88,583	1,472	214,775	1,573	594	-	306,997
Total revenues	1,784,967	430,437	577,057	421,652	343,347	(288,960)	3,268,500
Expenses and losses							
Compensation	730,942	53,198	53,157	65,866	63,482	-	966,645
Administrative	276,472	142,288	49,615	56,076	53,537	(85,139)	492,849
Professional services	69,393	10,002	6,667	9,823	17,071	-	112,956
Depreciation and amortization	149,012	390,199	232,920	434,836	349,960	(62,848)	1,494,079
Facility	39,737	226,287	142,862	164,249	127,495	-	700,630
Interest and fees	79,984	175,942	95,963	70,252	2,914	(203,821)	221,234
Project expenses	2,290	-	4,333	-	-	-	6,623
Total expenses and losses	1,347,830	997,916	585,517	801,102	614,459	(351,808)	3,995,016
Change in net assets	437,137	(567,479)	(8,460)	(379,450)	(271,112)	62,848	(726,516)
Net assets at beginning of year	9,935,245	4,897,182	3,136,246	8,216,758	8,209,158	(1,859,185)	32,535,404
Other transfers	-	-	-	-	267,465	31,459	298,924
Net assets at end of year	\$ 10,372,382	\$ 4,329,703	\$ 3,127,786	\$ 7,837,308	\$ 8,205,511	\$ (1,764,878)	\$ 32,107,812

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

Independent Member of Nexia International

cohnreznick.com