

**Family Scholar House, Inc. and Subsidiaries**

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

**June 30, 2019 and 2018**

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# Family Scholar House, Inc. and Subsidiaries

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## 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, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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 30 to 35 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.

*CohnReznick LLP*

Charlotte, North Carolina  
November 12, 2019

**Family Scholar House, Inc. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents - corporate operations	\$ 1,883,175	\$ 1,686,624
Cash and cash equivalents - operating partnerships	210,794	60,996
Cash, tenant security deposits	50,839	39,120
Cash, restricted - corporate operations	155,430	115,649
Accounts receivable, net - corporate operations	93,336	271,000
Accounts receivable, net - operating partnerships	57,353	8,795
Pledges receivable, net	12,285	31,016
Grants receivable	38,301	201,853
Prepaid expenses and other assets	110,457	110,916
	<b>2,611,970</b>	<b>2,525,969</b>
Total current assets		
Net property and equipment - corporate operations	3,398,262	3,440,823
Net property and equipment - operating partnerships	27,755,135	29,012,760
	<b>31,153,397</b>	<b>32,453,583</b>
Total property and equipment		
Other long-term assets		
Restricted property reserves - operating partnerships	1,878,990	1,893,795
Notes and interest receivable	1,305,122	1,023,245
Pledges receivable - long-term	39,200	42,000
Other assets, net - operating partnerships	197,246	245,780
	<b>3,420,558</b>	<b>3,204,820</b>
Total other long-term assets		
<b>Total assets</b>	<b>\$ 37,185,925</b>	<b>\$ 38,184,372</b>

**Family Scholar House, Inc. and Subsidiaries**

**Consolidated Statements of Financial Position  
June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses - corporate operations	\$ 53,417	\$ 44,581
Accounts payable and accrued expenses - operating partnerships	136,126	101,990
Accrued interest	3,319	3,319
Current portion of notes payable - corporate operations	31,648	30,318
Current portion of notes payable - operating partnerships	31,142	29,140
Deferred revenue and other liabilities	226,597	250,322
Tenant security deposits - operating partnerships	<u>73,163</u>	<u>59,778</u>
Total current liabilities	<u>555,412</u>	<u>519,448</u>
Long-term liabilities		
Accrued interest	86,705	75,973
Notes payable, less current portion, net - corporate operations	2,545,597	2,577,151
Notes payable, less current portion, net - operating partnerships	2,848,221	2,874,902
Deferred revenue and other liabilities	<u>1,350,398</u>	<u>1,543,437</u>
Total long-term liabilities	<u>6,830,921</u>	<u>7,071,463</u>
<b>Total liabilities</b>	<u>7,386,333</u>	<u>7,590,911</u>
<b>Commitments</b>	-	-
<b>Net assets without donor restrictions</b>		
Net assets without donor restrictions, controlling	11,522,538	11,360,541
Net assets without donor restrictions, noncontrolling	<u>17,766,820</u>	<u>18,979,409</u>
Total net assets without donor restrictions	29,289,358	30,339,950
Net assets with donor restrictions	<u>510,234</u>	<u>253,511</u>
<b>Total net assets</b>	<u>29,799,592</u>	<u>30,593,461</u>
<b>Total liabilities and net assets</b>	<u>\$ 37,185,925</u>	<u>\$ 38,184,372</u>

See Notes to Consolidated Financial Statements.

**Family Scholar House, Inc. and Subsidiaries**

**Consolidated Statements of Activities  
Years Ended June 30, 2019 and 2018**

	2019			2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>Revenues</b>						
Rent - net of vacancies	\$ 1,647,578	\$ -	\$ 1,647,578	\$ 1,560,805	\$ -	\$ 1,560,805
Service fees	35,000	-	35,000	445,000	-	445,000
Philanthropy	930,440	-	930,440	961,496	-	961,496
Grants	57,100	942,409	999,509	110,394	556,167	666,561
Interest	58,644	-	58,644	18,622	-	18,622
Other	208,602	-	208,602	250,034	-	250,034
Release of restricted net assets	685,686	(685,686)	-	1,558,479	(1,558,479)	-
<b>Total revenues</b>	<b>3,623,050</b>	<b>256,723</b>	<b>3,879,773</b>	<b>4,904,830</b>	<b>(1,002,312)</b>	<b>3,902,518</b>
<b>Expenses and losses</b>						
Compensation	1,451,480	-	1,451,480	1,362,570	-	1,362,570
Administrative	673,212	-	673,212	461,070	-	461,070
Professional services	98,649	-	98,649	96,341	-	96,341
Depreciation and amortization	1,455,247	-	1,455,247	1,496,617	-	1,496,617
Facility	790,262	-	790,262	775,913	-	775,913
Interest and fees	173,124	-	173,124	179,418	-	179,418
Project expenses	11,609	-	11,609	6,846	-	6,846
Bad debt expense	13,243	-	13,243	-	-	-
<b>Total expenses and losses</b>	<b>4,666,826</b>	<b>-</b>	<b>4,666,826</b>	<b>4,378,775</b>	<b>-</b>	<b>4,378,775</b>
<b>Change in net assets</b>						
Consolidated	(1,043,776)	256,723	(787,053)	526,055	(1,002,312)	(476,257)
Attributable to non-controlling interest	(1,205,774)	-	(1,205,774)	(1,306,120)	-	(1,306,120)
<b>Change in net assets attributable to Family Scholar House, Inc.</b>	<b>\$ 161,998</b>	<b>\$ 256,723</b>	<b>\$ 418,721</b>	<b>\$ 1,832,175</b>	<b>\$ (1,002,312)</b>	<b>\$ 829,863</b>

See Notes to Consolidated Financial Statements.

**Family Scholar House, Inc. and Subsidiaries**

**Consolidated Statements of Changes in Net Assets  
Years Ended June 30, 2019 and 2018**

	<u>Net Assets Without Donor Restrictions</u>			<u>Net Assets With Donor Restrictions</u>	<u>Total Net Assets</u>
	<u>Controlling</u>	<u>Noncontrolling</u>	<u>Total</u>		
Balance, July 1, 2017	\$ 9,528,366	\$ 20,285,529	\$ 29,813,895	\$ 1,255,823	\$ 31,069,718
Change in net assets	<u>1,832,175</u>	<u>(1,306,120)</u>	<u>526,055</u>	<u>(1,002,312)</u>	<u>(476,257)</u>
Balance, June 30, 2018	11,360,541	18,979,409	30,339,950	253,511	30,593,461
Distributions	(1)	(6,816)	(6,817)	-	(6,817)
Change in net assets	<u>161,998</u>	<u>(1,205,774)</u>	<u>(1,043,776)</u>	<u>256,723</u>	<u>(787,053)</u>
Balance, June 30, 2019	<u>\$ 11,522,538</u>	<u>\$ 17,766,819</u>	<u>\$ 29,289,357</u>	<u>\$ 510,234</u>	<u>\$ 29,799,591</u>

See Notes to Consolidated Financial Statements.



**Family Scholar House, Inc. and Subsidiaries**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2019**

	Program Services	General and Administrative	Fundraising	Operating Partnerships	Total
Assistance Payments	\$ 134,760	\$ -	\$ -	\$ -	\$ 134,760
Automobile Expense	12,163	-	-	216	12,379
Depreciation and Amortization	164,819	14,909	-	1,275,519	1,455,247
Employee Benefits	86,595	3,223	-	33,925	123,743
Employee Training	31,983	-	-	5,580	37,563
Insurance	6,584	10,056	-	49,855	66,495
Interest and Other Expenses	40,020	-	-	132,901	172,921
Legal and Accounting	-	37,260	-	-	37,260
Miscellaneous	33,784	820	-	90,951	125,555
Newsletter	-	-	7,241	-	7,241
Office Supplies	22,573	1,291	-	107,902	131,766
Payroll Tax	67,871	3,281	2,140	24,654	97,946
Printing and Postage	1,649	154	-	911	2,714
Professional Fees	54,331	-	24,000	39,309	117,640
Program Publications	124,217	-	-	-	124,217
Public Relations	-	-	9,202	-	9,202
Repairs and Maintenance	2,914	373	-	153,469	156,756
Salary and Wages	920,895	41,629	29,376	126,074	1,117,974
Telephone and Internet	16,062	1,227	-	54,107	71,396
Utilities	36,521	1,930	-	191,571	230,022
Management and Other Partnership Fees	-	-	-	91,754	91,754
Facility Expense	3,764	615	-	289,008	293,387
Administrative Expenses	-	-	-	35,645	35,645
Bad Debt Expense	-	-	-	13,243	13,243
<b>Total Expenses</b>	<b>\$ 1,761,505</b>	<b>\$ 116,768</b>	<b>\$ 71,959</b>	<b>\$ 2,716,594</b>	<b>\$ 4,666,826</b>

See Notes to Consolidated Financial Statements.

**Family Scholar House, Inc. and Subsidiaries**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2018**

	Program Services	General and Administrative	Fundraising	Operating Partnerships	Total
Assistance Payments	\$ 115,608	\$ -	\$ -	\$ -	\$ 115,608
Automobile Expense	8,533	16	-	25,129	33,678
Depreciation and Amortization	145,404	16,151	-	1,335,062	1,496,617
Employee Benefits	90,292	3,767	786	39,650	134,495
Employee Training	15,529	-	-	4,629	20,158
Insurance	5,619	10,411	-	49,364	65,394
Interest and Other Expenses	41,189	-	-	137,045	178,234
Legal and Accounting	-	34,685	-	-	34,685
Miscellaneous	7,610	555	-	82,046	90,211
Newsletter	-	-	9,240	-	9,240
Office Supplies	13,541	975	-	108,947	123,463
Payroll Tax	63,755	3,495	2,048	29,004	98,302
Printing and Postage	1,370	157	-	1,167	2,694
Professional Fees	-	-	24,000	39,576	63,576
Program Publications	48,651	-	-	-	48,651
Public Relations	-	-	3,480	-	3,480
Repairs and Maintenance	5,775	503	-	147,917	154,195
Salary and Wages	835,885	40,484	29,245	115,748	1,021,362
Telephone and Internet	11,404	1,072	-	58,519	70,995
Utilities	19,209	1,522	-	197,868	218,599
Management and Other Partnership Fees	-	-	-	107,323	107,323
Facility Expense	-	385	-	253,824	254,209
Administrative Expenses	-	-	-	33,606	33,606
<b>Total Expenses</b>	<b>\$ 1,429,374</b>	<b>\$ 114,178</b>	<b>\$ 68,799</b>	<b>\$ 2,766,424</b>	<b>\$ 4,378,775</b>

See Notes to Consolidated Financial Statements.

**Family Scholar House, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Operating activities		
Changes in net assets	\$ (787,053)	\$ (476,257)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,455,247	1,496,617
Amortization of deferred financing fees	3,813	3,813
Forgiveness of debt	(205,792)	(205,792)
Cash, tenant security deposits	(11,719)	(256)
Accounts receivable, net	129,106	(219,528)
Pledges receivable, net	21,531	(25,395)
Grants receivable	163,552	(47,117)
Prepaid expenses and other assets	459	(17,903)
Accounts payable	42,972	32,422
Accrued interest payable	10,732	10,749
Deferred revenue	(10,972)	23,797
Tenant security deposits, net	13,385	2,519
	<u>825,261</u>	<u>577,669</u>
Net cash provided by operating activities		
Investing activities		
Net change in restricted cash and reserves	14,805	(29,677)
Net change in property and equipment	(106,527)	(63,512)
Net change in other assets	-	(88,799)
Net change in notes receivable	(281,877)	(1,023,245)
	<u>(373,599)</u>	<u>(1,205,233)</u>
Net cash used in investing activities		
Financing activities		
Principal payments on notes payable	(58,716)	(54,147)
Distributions paid to investor limited partners	(6,815)	-
	<u>(65,532)</u>	<u>(54,147)</u>
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	386,130	(681,711)
Cash and cash equivalents at beginning of year	1,863,269	2,544,980
	<u>\$ 2,249,399</u>	<u>\$ 1,863,269</u>
Cash and cash equivalents at end of year		
	<u>\$ 2,249,399</u>	<u>\$ 1,863,269</u>
Cash paid for interest	\$ 158,376	\$ 161,538

See Notes to Consolidated Financial Statements.

## **Family Scholar House, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements June 30, 2019 and 2018**

#### **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 and young adults formerly in foster care in obtaining post-secondary education that leads to a livable wage. 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. Care management is also an integral component of the FSH support services. Participants meet with care 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 18, FSH leverages volunteers to help create the continuum of service necessary for FSH participants to succeed. While the young adult and 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 five FSH campuses 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.

## **Family Scholar House, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements June 30, 2019 and 2018**

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

## **Family Scholar House, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements June 30, 2019 and 2018**

The Organization recognizes gifts of cash and other assets as revenue without donor restrictions unless they are received with donor restrictions. Gifts with restrictions are reported as revenue with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 revenue without donor restrictions in the period of receipt. Unconditional promises to give with payments due in future periods are discounted to present value and reported as revenue with donor restrictions.

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.

## Family Scholar House, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements June 30, 2019 and 2018

#### 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 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, 2019 and 2018.

#### Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage and notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

#### Tax credit fees and related amortization

Tax credit monitoring fees are being amortized using the straight-line method over the 15-year tax credit compliance period.

Amortization expense for the years ended June 30, 2019 and 2018 was \$48,534 and \$44,483, respectively. Estimated amortization expense for each of the ensuing years through June 30, 2024 is as follows:

2020	\$	53,763
2021		46,363
2022		24,163
2023		24,163
2024		24,163

#### Basis of presentation and net assets

GAAP requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Program service expenses must be segregated from management and general expenses. Contributions received are recorded as support without donor restrictions or with donor restrictions. Net assets without donor restrictions are those that have no external restrictions. Net assets with donor restrictions are those net assets for which use is limited by donors to a specific time period and/or purpose of for which use is restricted in perpetuity by donors.

#### New accounting standards

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations that provide otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation method to allocate costs, requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment

## **Family Scholar House, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements June 30, 2019 and 2018**

return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that nonprofits which chose to prepare the statement of cash flows using the direct method must also present a reconciliation (the indirect method). The Organization adopted this ASU during the year ended June 30, 2019. ASU 2016-14 has been applied on a retrospective basis.

#### **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.

#### **Net assets without donor restrictions**

Net assets without donor restrictions are available for use at the discretion of the board of trustees and/or management for general operating purposes. From time to time the board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

#### **Net assets with donor restrictions**

Net assets with donor restrictions consists of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

FSH reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

See Note 11 for more information on the composition of net assets with donor restrictions.

#### **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, 2019 and 2018. All nonprofit corporations are required to file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated 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, 2019 and 2018, the Organization did not identify any uncertain tax positions that qualify for either recognition or disclosure in the consolidated 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, 2018 and 2017.

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



## Family Scholar House, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements June 30, 2019 and 2018

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 2015 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 \$11,308 and \$7,293, respectively, during the years ended June 30, 2019 and 2018.

#### **Functional allocation of expenses**

The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of FSH are reported as expenses of those functional areas. General and administrative costs have been allocated to program services based on the proportion of full-time employee equivalents of a program service versus the total organizational full-time employee equivalents.

#### **Reclassifications**

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

#### **Note 3 - Liquidity and availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 2,249,399
Receivables to be collected	<u>201,275</u>
Total assets available	<u><u>\$ 2,450,674</u></u>

As part of FSH's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. Cash utilized by the parent organization, in excess of daily requirements, is invested in short-term investments and money market funds.

#### **Note 4 - 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.

**Family Scholar House, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2019 and 2018**

At June 30, 2019 and 2018, cash and deposits were as follows:

	<u>2019</u>	<u>2018</u>
Unrestricted cash - corporate operations	\$ 1,883,175	\$ 1,686,624
Restricted cash - corporate operations	155,430	115,649
Total cash - corporate operations	<u>\$ 2,038,605</u>	<u>\$ 1,802,273</u>
Unrestricted cash - operating partnerships	\$ 210,794	\$ 60,996
Restricted cash - tenant security deposits - operating partnerships	50,839	39,120
Restricted cash - restricted property reserves operating partnerships	1,878,990	1,893,795
Total cash - operating partnerships	<u>\$ 2,140,623</u>	<u>\$ 1,993,911</u>

**Note 5 - Pledges and grants receivable**

Pledges and grants receivable at June 30, 2019 consist of unconditional promises to give with future maturities as follows:

2020	\$ 60,586
2021	39,200
2022	-
2023	-
2024	-
Thereafter	-
Total pledge receivable	<u>\$ 99,786</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, 2019 and 2018, the Organization considers all pledges and grants receivable to be fully collectible; accordingly, no allowance for uncollectible pledges and grants was recorded.

**Note 6 - Property and equipment**

Property and equipment consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 2,402,986	\$ 2,402,986
Buildings	39,139,101	39,139,101
Furniture and equipment	1,271,541	1,165,014
Total property and equipment	42,813,628	42,707,101
Less accumulated depreciation	<u>(11,660,231)</u>	<u>(10,253,518)</u>
Property and equipment, net	<u>\$ 31,153,397</u>	<u>\$ 32,453,583</u>

**Family Scholar House, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2019 and 2018**

Depreciation expense for the years ended June 30, 2019 and 2018 was \$1,406,713 and \$1,452,134, respectively.

**Note 7 - 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, 2019 and 2018, \$90,180 and \$90,180 of the management fees have been charged to operations, respectively.

**Note 8 - 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 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, 2019 and 2018, Downtown Scholar House, LLLP recognized \$205,792 and \$205,792, respectively as income from debt forgiveness. As of June 30, 2019 and 2018, the outstanding balance of this note was \$1,547,949 and \$1,749,229, respectively.

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

**Family Scholar House, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2019 and 2018**

**Note 9 - Notes payable**

Notes payable consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<p>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.</p>	\$ 1,000,000	\$ 1,000,000
<p>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, 2019 and 2018, interest expense of \$37,131 and \$38,300, respectively, was charged to operations.</p>	788,298	818,522
<p>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, 2019 and 2018, interest expense of \$2,889 and \$2,889, respectively, was charged to operations.</p>	288,947	288,947
<p>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.</p>	500,000	500,000

**Family Scholar House, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</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, 2019 and 2018, interest expense of \$74,707 and \$76,821, respectively, was charged to operations.	974,539	988,834
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 balance payable at June 30, 2019 and 2018 is \$793,421 and \$807,618, respectively. Unamortized debt issuance costs as of June 30, 2019 and 2018 are \$28,597 and \$32,410, respectively. The loan is secured by a first mortgage lien on the rental property. For the years ended June 30, 2019 and 2018, interest expense of \$50,194 and \$51,494, respectively, was charged to operations. Debt issuance costs are amortized based on an imputed interest rate of 5.88%.	764,824	775,208
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 years ended June 30, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, no interest expense was charged to operations.	340,000	340,000
	<u>\$ 5,456,608</u>	<u>\$ 5,511,511</u>

## Family Scholar House, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements June 30, 2019 and 2018

Future maturities of notes payable are as follows:

For the year ended June 30, 2020	\$	62,790
2021		790,017
2022		35,662
2023		38,121
2024		40,754
Thereafter		<u>4,517,861</u>
		5,485,205
Less: Net loan fees		<u>(28,597)</u>
		<u>\$ 5,456,608</u>

#### Note 10 - Notes receivable

On February 10, 2016, the Organization entered into a loan agreement with Riverport FSH LLC, in the original amount of \$1,262,000. The loan bears interest at 2.81% compounded annually. Principal and interest shall be deferred and payable until the sooner of February 1, 2049 and the date in which the Lender acquires the Premises in accordance with Lease. Interest income for the years ended June 30, 2019 and 2018 amounted to \$43,122 and \$11,245, respectively, all of which remains receivable at June 30, 2019 and 2018. The principal balance outstanding at June 30, 2019 and 2018 amounted to \$1,262,000 and \$1,012,000, respectively.

#### Note 11 - Net assets with donor restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
HEROES Campaign	\$ 263,091	\$ -
Gheens FDN - Apprenticeships	50,000	-
Molina Health Care	50,000	-
PNC - Early Learning Adventures	24,000	-
Siemer Institute	40,093	-
Sutherland Foundation	45,699	-
Various other programs	<u>37,351</u>	<u>253,511</u>
	<u>\$ 510,234</u>	<u>\$ 253,511</u>

#### Note 12 - 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.

## Family Scholar House, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements June 30, 2019 and 2018

#### 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 13 - 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 14 - 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 event expenses related to fundraising events during the years ended June 30, 2019 and 2018 were as follows are recorded as Philanthropy in the Consolidated Statements of Activities:

	<u>2019</u>	<u>2018</u>
Revenues	\$ 605,702	\$ 546,772
Expenses	<u>(199,857)</u>	<u>(163,387)</u>
	<u>\$ 405,845</u>	<u>\$ 383,385</u>

#### Note 15 - Retirement Plan

The Organization has a SIMPLE IRA plan to fund retirement for its employees. The Organization matches employees' contributions up to 3% of their compensation. The Organization made contributions of \$17,797 and \$17,797 for the years ended June 30, 2019 and 2018, respectively.

#### Note 16 - Concentrations

During the year ended June 30, 2019, the Organization received 5.25% of its unrestricted contribution revenue from one donor. The single largest donor was \$48,883. During the year ended June 30, 2018, the Organization received 15.60% of its unrestricted contribution revenue from one donor. The single largest donor was \$150,000. During the years ended June 30, 2019 and 2018, the Organization received 55.47% and 9.32%, respectively, of its unrestricted grant revenue from one grantor agency.

During the years ended June 30, 2019 and 2018, the Organization received 53.49% and 11.25%, respectively, of its restricted grant revenue from one grantor agency.

As of June 30, 2019 and 2018, 85.00% and 49.00%, respectively, of pledges and grants receivable was due from a single donor.

**Family Scholar House, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2019 and 2018**

**Note 17 - 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 the general partner 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.

**Lease agreement**

The Organization entered into a lease agreement with Riverport FSH, LLC in February 2017 to lease the academic services building. The term of the lease is 17 years, commencing on the Delivery Date, as defined. The rent is \$1 annually. The lease commenced on July 16, 2018.



**Family Scholar House, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2019 and 2018**

**Note 18 - Parent only financial statements**

The financial statements of Family Scholar House, Inc. at June 30, 2019 and 2018 are as follows:

Statements of Financial Position  
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,883,175	\$ 1,686,624
Cash, restricted	155,430	115,649
Accounts receivable	93,336	271,000
Due from affiliates	89,046	69,360
Pledges receivable, net	12,285	31,016
Grants receivable	38,301	201,853
Prepaid expenses and other assets	<u>45,097</u>	<u>49,666</u>
 Total current assets	 <u>2,316,670</u>	 <u>2,425,168</u>
 Net property and equipment	 3,398,262	 3,440,823
 Other long-term assets		
Due from affiliates	1,817,371	1,764,138
Investments in limited partnerships, net	499,496	499,496
Notes and interest receivable, affiliates	6,326,930	6,177,098
Notes and interest receivable	1,305,122	1,023,245
Pledges receivable - long-term	39,200	42,000
Other assets, net - corporate partnerships	<u>68,459</u>	<u>99,099</u>
 Total other long-term assets	 <u>10,056,578</u>	 <u>9,605,076</u>
 <b>Total assets</b>	 <u><u>\$ 15,771,510</u></u>	 <u><u>\$ 15,471,067</u></u>

**Family Scholar House, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2019 and 2018**

Statements of Financial Position  
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 53,417	\$ 44,581
Accrued interest	3,319	3,319
Current portion of notes payable	31,648	30,318
Deferred revenue and other liabilities	15,753	41,500
Tenant security deposits	<u>27,096</u>	<u>21,611</u>
Total current liabilities	<u>131,233</u>	<u>141,329</u>
Long-term liabilities		
Accrued interest	24,558	21,669
Notes payable, less current portion	<u>2,545,597</u>	<u>2,577,151</u>
Total long-term liabilities	<u>2,570,155</u>	<u>2,598,820</u>
<b>Total liabilities</b>	<u>2,701,388</u>	<u>2,740,149</u>
<b>Net Assets</b>		
Net assets without donor restrictions, controlling	12,559,888	12,477,407
Net assets with donor restrictions	<u>510,234</u>	<u>253,511</u>
<b>Total net assets</b>	<u>13,070,122</u>	<u>12,730,918</u>
<b>Total liabilities and net assets</b>	<u>\$ 15,771,510</u>	<u>\$ 15,471,067</u>

**Family Scholar House, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2019 and 2018**

Statements of Activities  
Years Ended June 30, 2019 and 2018

	2019			2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>Revenues</b>						
Service fees	\$ 119,046	\$ -	\$ 119,046	\$ 556,465	\$ -	\$ 556,465
Philanthropy	930,440	-	930,440	961,496	-	961,496
Grants	57,100	942,409	999,509	110,394	556,167	666,561
Interest	253,300	-	253,300	215,316	-	215,316
Other	384	-	384	19,916	-	19,916
Release of restricted net assets	685,686	(685,686)	-	1,558,479	(1,558,479)	-
<b>Total revenues</b>	<b>2,045,956</b>	<b>256,723</b>	<b>2,302,679</b>	<b>3,422,066</b>	<b>(1,002,312)</b>	<b>2,419,754</b>
<b>Expenses and losses</b>						
Compensation	1,160,507	-	1,160,507	1,073,073	-	1,073,073
Administrative	457,158	-	457,158	244,250	-	244,250
Professional services	61,260	-	61,260	58,685	-	58,685
Depreciation and amortization	179,728	-	179,728	161,555	-	161,555
Facility	44,080	-	44,080	29,902	-	29,902
Interest and fees	40,223	-	40,223	42,373	-	42,373
Project expenses	7,276	-	7,276	2,513	-	2,513
(Gain)/loss on investment in limited partnership	-	-	-	-	-	-
Bad debt expense	13,243	-	13,243	-	-	-
<b>Total expenses and losses</b>	<b>1,963,475</b>	<b>-</b>	<b>1,963,475</b>	<b>1,612,351</b>	<b>-</b>	<b>1,612,351</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>82,481</b>	<b>256,723</b>	<b>339,204</b>	<b>1,809,715</b>	<b>(1,002,312)</b>	<b>807,403</b>
Net assets at beginning of year	12,477,407	253,511	12,730,918	10,667,692	1,255,823	11,923,515
<b>Net assets at end of year</b>	<b>\$ 12,559,888</b>	<b>\$ 510,234</b>	<b>\$ 13,070,122</b>	<b>\$ 12,477,407</b>	<b>\$ 253,511</b>	<b>\$ 12,730,918</b>

**Family Scholar House, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2019 and 2018**

Statements of Cash Flows  
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Changes in net assets	\$ 339,204	\$ 807,403
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
(Gain) loss on sale of assets		
Depreciation and amortization	179,728	161,555
Net changes in current assets and liabilities that provided (used) cash		
Accounts receivable, net	157,978	(242,450)
Grants receivable	163,552	(69,117)
Pledges receivable	21,531	(3,395)
Prepaid expenses and other assets	4,569	(9,739)
Accounts payable	8,836	21,595
Accrued interest payable	2,889	2,889
Deferred revenue	(25,747)	21,188
Tenant security deposits	5,485	1,284
	<u>858,025</u>	<u>691,213</u>
Net cash provided by operating activities		
Investing activities		
Net change in property and equipment	(106,527)	(63,501)
Net change in investments in partnerships	(53,233)	(53,233)
Net change in notes receivable, affiliates	(431,709)	(1,112,940)
Net change in other assets	-	(88,799)
	<u>(591,469)</u>	<u>(1,318,473)</u>
Net cash used in investing activities		
Financing activities		
Principal payments on notes payable	(30,224)	(29,149)
	<u>(30,224)</u>	<u>(29,149)</u>
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	236,332	(656,409)
Cash and cash equivalents at beginning of year	1,802,273	2,458,682
	<u>\$ 2,038,605</u>	<u>\$ 1,802,273</u>
Cash and cash equivalents at end of year		
	<u>\$ 40,223</u>	<u>\$ 43,384</u>
Cash paid for interest		

**Family Scholar House, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2019 and 2018**

**Note 19 - 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 November 12, 2019 (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, 2019**

	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.
<b>Assets</b>							
Current assets							
Cash and cash equivalents - corporate operations	\$ 1,883,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,883,175
Cash and cash equivalents - operating partnerships	-	25,549	200	31,471	153,574	-	210,794
Cash, tenant security deposits	-	13,010	12,544	12,740	12,545	-	50,839
Cash, restricted - corporate operations	155,430	-	-	-	-	-	155,430
Accounts receivable, net - corporate operations	93,336	-	-	-	-	-	93,336
Accounts receivable, net - operating partnerships	-	10,341	8,999	25,745	12,268	-	57,353
Due from affiliates	89,046	-	-	-	-	(89,046)	-
Pledges receivable, net	12,285	-	-	-	-	-	12,285
Grants receivable	38,301	-	-	-	-	-	38,301
Prepaid expenses and other assets	45,097	7,758	34,561	16,281	6,760	-	110,457
<b>Total current assets</b>	<b>2,316,670</b>	<b>56,658</b>	<b>56,304</b>	<b>86,237</b>	<b>185,147</b>	<b>(89,046)</b>	<b>2,611,970</b>
Property and equipment							
Land and land improvements	321,309	748,411	685,341	181,000	466,925	-	2,402,986
Buildings	3,599,709	11,250,691	7,806,454	10,305,458	7,905,286	(1,728,497)	39,139,101
Furniture and equipment	623,647	54,868	151,096	276,935	164,995	-	1,271,541
Accumulated depreciation	(1,146,403)	(4,117,356)	(1,949,392)	(3,142,431)	(2,019,506)	714,857	(11,660,231)
<b>Net property and equipment</b>	<b>3,398,262</b>	<b>7,936,614</b>	<b>6,693,499</b>	<b>7,620,962</b>	<b>6,517,700</b>	<b>(1,013,640)</b>	<b>31,153,397</b>
Other long-term assets							
Restricted property reserves - operating partnerships	-	164,084	639,280	551,969	523,657	-	1,878,990
Due from affiliates	1,817,371	-	-	-	-	(1,817,371)	-
Investments in limited partnerships, net	499,496	-	-	-	-	(499,496)	-
Notes and interest receivable, affiliates	6,326,930	-	-	-	-	(6,326,930)	-
Notes and interest receivable	1,305,122	-	-	-	-	-	1,305,122
Pledges receivable - long-term	39,200	-	-	-	-	-	39,200
Other assets, net - operating partnerships	68,459	12,204	23,245	47,689	45,649	-	197,246
<b>Total other long-term assets</b>	<b>10,056,578</b>	<b>176,288</b>	<b>662,525</b>	<b>599,658</b>	<b>569,306</b>	<b>(8,643,797)</b>	<b>3,420,558</b>
<b>Total assets</b>	<b>\$ 15,771,510</b>	<b>\$ 8,169,560</b>	<b>\$ 7,412,328</b>	<b>\$ 8,306,857</b>	<b>\$ 7,272,153</b>	<b>\$ (9,746,483)</b>	<b>\$ 37,185,925</b>

**Family Scholar House, Inc. and Subsidiaries**  
**Consolidating Statement of Financial Position**  
**June 30, 2019**

	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.
<b>Liabilities</b>							
Current liabilities							
Accounts payable and accrued expenses - corporate operations	\$ 53,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,417
Accounts payable and accrued expenses - operating partnerships	-	23,794	58,016	25,034	29,282	-	136,126
Due to affiliates	-	66,000	-	15,060	7,986	(89,046)	-
Accrued interest	3,319	-	-	-	-	-	3,319
Current portion of notes payable - corporate operations	31,648	-	-	-	-	-	31,648
Current portion of notes payable - operating partnerships	-	-	15,425	15,717	-	-	31,142
Deferred revenue and other liabilities	15,753	-	210,304	540	-	-	226,597
Tenant security deposits - operating partnerships	27,096	12,342	12,250	12,161	9,314	-	73,163
<b>Total current liabilities</b>	<b>131,233</b>	<b>102,136</b>	<b>295,995</b>	<b>68,512</b>	<b>46,582</b>	<b>(89,046)</b>	<b>555,412</b>
Long-term liabilities							
Accrued interest	24,558	-	6,183	55,964	-	-	86,705
Accrued interest, affiliates	-	1,966,208	131,442	-	44,624	(2,142,274)	-
Notes payable, less current portion, net - corporate operations	2,545,597	-	-	-	-	-	2,545,597
Notes payable, less current portion, net - operating partnerships	-	-	959,114	1,889,107	-	-	2,848,221
Notes payable, less current portion, affiliates	-	4,140,529	1,734,574	-	103,214	(5,978,317)	-
Deferred revenue and other liabilities	-	1,652	1,337,645	9,368	1,733	-	1,350,398
<b>Total long-term liabilities</b>	<b>2,570,155</b>	<b>6,108,389</b>	<b>4,168,958</b>	<b>1,954,439</b>	<b>149,571</b>	<b>(8,120,591)</b>	<b>6,830,921</b>
<b>Total liabilities</b>	<b>2,701,388</b>	<b>6,210,525</b>	<b>4,464,953</b>	<b>2,022,951</b>	<b>196,153</b>	<b>(8,209,637)</b>	<b>7,386,333</b>
<b>Net assets without donor restrictions</b>							
Net assets without donor restrictions, controlling - corporate operations	12,559,888	-	-	-	-	(1,037,350)	11,522,538
Net assets without donor restrictions, controlling - operating partnerships	-	(318)	499,705	(1)	110	(499,496)	-
Net assets without donor restrictions, noncontrolling - operating partnerships	-	1,959,353	2,447,670	6,283,907	7,075,890	-	17,766,820
<b>Total net assets without donor restrictions</b>	<b>12,559,888</b>	<b>1,959,035</b>	<b>2,947,375</b>	<b>6,283,906</b>	<b>7,076,000</b>	<b>(1,536,846)</b>	<b>29,289,358</b>
Net assets with donor restrictions	510,234	-	-	-	-	-	510,234
<b>Total net assets</b>	<b>13,070,122</b>	<b>1,959,035</b>	<b>2,947,375</b>	<b>6,283,906</b>	<b>7,076,000</b>	<b>(1,536,846)</b>	<b>29,799,592</b>
<b>Total liabilities and net assets</b>	<b>\$ 15,771,510</b>	<b>\$ 8,169,560</b>	<b>\$ 7,412,328</b>	<b>\$ 8,306,857</b>	<b>\$ 7,272,153</b>	<b>\$ (9,746,483)</b>	<b>\$ 37,185,925</b>



**Family Scholar House, Inc. and Subsidiaries**  
**Consolidating Statement of Activities**  
**and Changes in Net Assets**  
**Year Ended June 30, 2019**

	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.
<b>Revenues</b>							
Rent - net of vacancies	\$ -	\$ 450,161	\$ 385,352	\$ 431,359	\$ 380,706	\$ -	\$ 1,647,578
Service fees	119,046	-	-	-	-	(84,046)	35,000
Philanthropy	930,440	-	-	-	-	-	930,440
Grants	999,509	-	-	-	-	-	999,509
Interest	253,300	825	1,091	3,657	3,782	(204,011)	58,644
Other	384	(2,972)	197,169	686	(1,917)	15,252	208,602
<b>Total revenues</b>	<u>2,302,679</u>	<u>448,014</u>	<u>583,612</u>	<u>435,702</u>	<u>382,571</u>	<u>(272,805)</u>	<u>3,879,773</u>
<b>Expenses and losses</b>							
Compensation	1,160,507	63,321	80,880	88,202	58,570	-	1,451,480
Administrative	457,158	111,395	58,387	61,330	68,988	(84,046)	673,212
Professional services	61,260	9,965	6,917	10,007	10,500	-	98,649
Depreciation and amortization	179,728	390,199	232,920	399,704	316,961	(64,265)	1,455,247
Facility	44,080	258,327	169,855	192,861	125,139	-	790,262
Interest and fees	40,223	183,227	91,977	58,194	3,514	(204,011)	173,124
Project expenses	7,276	-	4,333	-	-	-	11,609
Bad debt expense	13,243	-	-	-	-	-	13,243
<b>Total expenses and losses</b>	<u>1,963,475</u>	<u>1,016,434</u>	<u>645,269</u>	<u>810,298</u>	<u>583,672</u>	<u>(352,322)</u>	<u>4,666,826</u>
<b>Change in net assets</b>	<u>339,204</u>	<u>(568,420)</u>	<u>(61,657)</u>	<u>(374,596)</u>	<u>(201,101)</u>	<u>79,517</u>	<u>(787,053)</u>
Net assets at beginning of year	12,730,918	2,527,455	3,009,032	6,665,317	7,277,101	(1,616,362)	30,593,461
Other transfers	-	-	-	(6,815)	-	(1)	(6,816)
<b>Net assets at end of year</b>	<u>\$ 13,070,122</u>	<u>\$ 1,959,035</u>	<u>\$ 2,947,375</u>	<u>\$ 6,283,906</u>	<u>\$ 7,076,000</u>	<u>\$ (1,536,846)</u>	<u>\$ 29,799,592</u>

**Family Scholar House, Inc. and Subsidiaries**  
**Consolidating Statement of Financial Position**  
**June 30, 2018**

	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.
<b>Assets</b>							
Current assets							
Cash and cash equivalents - corporate operations	\$ 1,686,624	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,686,624
Cash and cash equivalents - operating partnerships	-	8,602	525	200	51,669	-	60,996
Cash, tenant security deposits	-	11,789	9,995	9,510	7,826	-	39,120
Cash, restricted - corporate operations	115,649	-	-	-	-	-	115,649
Accounts receivable, net - corporate operations	271,000	-	-	-	-	-	271,000
Accounts receivable, net - operating partnerships	-	3,729	293	608	4,165	-	8,795
Due from affiliate	69,360	-	-	-	-	(69,360)	-
Pledges receivable, net	31,016	-	-	-	-	-	31,016
Grants receivable	201,853	-	-	-	-	-	201,853
Prepaid expenses and other assets	49,666	6,807	38,465	13,606	2,372	-	110,916
<b>Total current assets</b>	<b>2,425,168</b>	<b>30,927</b>	<b>49,278</b>	<b>23,924</b>	<b>66,032</b>	<b>(69,360)</b>	<b>2,525,969</b>
Property and equipment							
Land and land improvements	321,309	748,411	685,341	181,000	466,925	-	2,402,986
Buildings	3,599,709	11,250,691	7,806,454	10,305,458	7,905,286	(1,728,497)	39,139,101
Furniture and equipment	517,120	54,868	151,096	276,935	164,995	-	1,165,014
Accumulated depreciation	(997,315)	(3,731,461)	(1,720,049)	(2,749,085)	(1,707,617)	652,009	(10,253,518)
<b>Net property and equipment</b>	<b>3,440,823</b>	<b>8,322,509</b>	<b>6,922,842</b>	<b>8,014,308</b>	<b>6,829,589</b>	<b>(1,076,488)</b>	<b>32,453,583</b>
Other long-term assets							
Restricted property reserves - operating partnerships	-	162,034	650,676	571,736	509,349	-	1,893,795
Due from affiliates	1,764,138	-	-	-	-	(1,764,138)	-
Investments in limited partnerships, net	499,496	-	-	-	-	(499,496)	-
Notes and interest receivable, affiliates	6,177,098	-	-	-	-	(6,177,098)	-
Notes and interest receivable	1,023,245	-	-	-	-	-	1,023,245
Pledges receivable - long-term	42,000	-	-	-	-	-	42,000
Other assets, net - operating partnerships	99,099	15,091	26,822	54,047	50,721	-	245,780
<b>Total other long-term assets</b>	<b>9,605,076</b>	<b>177,125</b>	<b>677,498</b>	<b>625,783</b>	<b>560,070</b>	<b>(8,440,732)</b>	<b>3,204,820</b>
<b>Total assets</b>	<b>\$ 15,471,067</b>	<b>\$ 8,530,561</b>	<b>\$ 7,649,618</b>	<b>\$ 8,664,015</b>	<b>\$ 7,455,691</b>	<b>\$ (9,586,580)</b>	<b>\$ 38,184,372</b>

**Family Scholar House, Inc. and Subsidiaries**  
**Consolidating Statement of Financial Position**  
**June 30, 2018**

	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.
<b>Liabilities</b>							
Current liabilities							
Accounts payable and accrued expenses - corporate operations	\$ 44,581	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,581
Accounts payable and accrued expenses - operating partnerships	-	24,585	37,581	20,911	18,913	-	101,990
Due to affiliates	-	45,000	-	2,268	3,600	(50,868)	-
Accrued interest	3,319	-	-	-	-	-	3,319
Current portion of notes payable - corporate operations	30,318	-	-	-	-	-	30,318
Current portion of notes payable - operating partnerships	-	-	14,299	14,841	-	-	29,140
Deferred revenue and other liabilities	41,500	-	205,792	3,030	-	-	250,322
Tenant security deposits	21,611	11,428	10,000	9,250	7,489	-	59,778
<b>Total current liabilities</b>	<b>141,329</b>	<b>81,013</b>	<b>267,672</b>	<b>50,300</b>	<b>30,002</b>	<b>(50,868)</b>	<b>519,448</b>
Long-term liabilities							
Accrued interest	21,669	-	6,273	48,031	-	-	75,973
Accrued interest, affiliates	-	1,782,982	114,095	-	42,145	(1,939,222)	-
Notes payable, less current portion, net - corporate operations	2,577,151	-	-	-	-	-	2,577,151
Notes payable, less current portion, net - operating partnerships	-	-	974,535	1,900,367	-	-	2,874,902
Notes payable, less current portion, affiliates	-	4,139,111	1,734,574	-	106,443	(5,980,128)	-
Deferred revenue and other liabilities	-	-	1,543,437	-	-	-	1,543,437
<b>Total long-term liabilities</b>	<b>2,598,820</b>	<b>5,922,093</b>	<b>4,372,914</b>	<b>1,948,398</b>	<b>148,588</b>	<b>(7,919,350)</b>	<b>7,071,463</b>
<b>Total liabilities</b>	<b>2,740,149</b>	<b>6,003,106</b>	<b>4,640,586</b>	<b>1,998,698</b>	<b>178,590</b>	<b>(7,970,218)</b>	<b>7,590,911</b>
<b>Net assets without donor restrictions</b>							
Net assets without donor restrictions, controlling - corporate operations	12,477,407	-	-	-	-	(1,116,866)	11,360,541
Net assets without donor restrictions, controlling - operating partnerships	-	(318)	499,705	(1)	110	(499,496)	-
Net assets without donor restrictions, noncontrolling - operating partnerships	-	2,527,773	2,509,327	6,665,318	7,276,991	-	18,979,409
<b>Total net assets without donor restrictions</b>	<b>12,477,407</b>	<b>2,527,455</b>	<b>3,009,032</b>	<b>6,665,317</b>	<b>7,277,101</b>	<b>(1,616,362)</b>	<b>30,339,950</b>
Net assets with donor restrictions	253,511	-	-	-	-	-	253,511
<b>Total net assets</b>	<b>12,730,918</b>	<b>2,527,455</b>	<b>3,009,032</b>	<b>6,665,317</b>	<b>7,277,101</b>	<b>(1,616,362)</b>	<b>30,593,461</b>
<b>Total liabilities and net assets</b>	<b>\$ 15,471,067</b>	<b>\$ 8,530,561</b>	<b>\$ 7,649,618</b>	<b>\$ 8,664,015</b>	<b>\$ 7,455,691</b>	<b>\$ (9,586,580)</b>	<b>\$ 38,184,372</b>

**Family Scholar House, Inc. and Subsidiaries**  
**Consolidating Statement of Activities**  
**and Changes in Net Assets**  
**Year Ended June 30, 2018**

	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.
<b>Revenues</b>							
Rent - net of vacancies	\$ -	\$ 443,168	\$ 363,948	\$ 404,053	\$ 349,636	\$ -	\$ 1,560,805
Service fees	556,465	-	-	-	-	(111,465)	445,000
Philanthropy	961,496	-	-	-	-	-	961,496
Grants	666,561	-	-	-	-	-	666,561
Interest	215,316	598	459	3,083	3,162	(203,996)	18,622
Other	19,916	7,910	214,666	6,565	977	-	250,034
<b>Total revenues</b>	<u>2,419,754</u>	<u>451,676</u>	<u>579,073</u>	<u>413,701</u>	<u>353,775</u>	<u>(315,461)</u>	<u>3,902,518</u>
<b>Expenses and losses</b>							
Compensation	1,073,073	71,011	54,791	92,339	71,356	-	1,362,570
Administrative	244,250	110,737	54,516	61,716	73,461	(83,610)	461,070
Professional services	58,685	10,067	6,905	10,092	10,592	-	96,341
Depreciation and amortization	161,555	390,199	232,920	399,704	349,960	(37,721)	1,496,617
Facility	29,902	258,343	162,272	184,527	153,463	(12,594)	775,913
Interest and fees	42,373	183,227	94,091	60,224	3,499	(203,996)	179,418
Project expenses	2,513	-	4,333	-	-	-	6,846
<b>Total expenses and losses</b>	<u>1,612,351</u>	<u>1,023,584</u>	<u>609,828</u>	<u>808,602</u>	<u>662,331</u>	<u>(337,921)</u>	<u>4,378,775</u>
<b>Change in net assets</b>	807,403	(571,908)	(30,755)	(394,901)	(308,556)	22,460	(476,257)
Net assets at beginning of year	11,923,515	3,099,363	3,039,787	7,060,218	7,585,657	(1,638,822)	31,069,718
<b>Net assets at end of year</b>	<u>\$ 12,730,918</u>	<u>\$ 2,527,455</u>	<u>\$ 3,009,032</u>	<u>\$ 6,665,317</u>	<u>\$ 7,277,101</u>	<u>\$ (1,616,362)</u>	<u>\$ 30,593,461</u>



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