

# DHIC, Inc. and Subsidiaries

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## Financial Statements

Years Ended December 31, 2016 and 2015

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## **Independent Auditors' Report**

Board of Directors  
DHIC, Inc. and Subsidiaries  
Raleigh, North Carolina

We have audited the accompanying consolidated financial statements of DHIC, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of certain subsidiaries, which statements reflect total assets of \$16,059,950 as of December 31, 2016 and total revenues of \$2,117,467 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DHIC, Inc. and Subsidiaries as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the DHIC, Inc. and Subsidiaries' 2015 consolidated financial statements. We did not audit the financial statements of certain subsidiaries, which reflect total assets of \$16,338,910 as of December 31, 2015 and total revenues of \$2,073,834 for the year then ended. Those statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, was based solely on the reports of other auditors. Our report, dated June 28, 2016, expressed an unmodified opinion on those audited consolidated financial statements based on our audit and the reports of other auditors. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and combining schedules on pages 21 through 37 are presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position and change in net assets of the included companies, and are not a required part of the consolidated financial statements. The NeighborWorks America Capital Funds schedules on pages 38 and 39 are for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which, insofar as it relates to the subsidiaries, is based on the reports of other auditors, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, DHIC, Inc. and Subsidiaries adopted new accounting guidance on the presentation of debt issuance costs in 2016. Our opinion is not modified with respect to that matter.

*Dixon Hughes Goodman LLP*

**High Point, North Carolina  
June 28, 2017**

**DHIC, Inc. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2016 and 2015**

	<u>2016</u>	<u>As Adjusted 2015</u>
<b>ASSETS</b>		
Current assets:		
Cash, parent company	\$ 773,643	\$ 808,210
Cash, subsidiary construction	213,988	1,574,381
Cash, subsidiary operations	2,438,749	2,071,479
Accounts receivable	380,809	224,486
Accounts receivable, LIFT program	2,400,000	-
Current portion of notes receivable - second mortgages	10,545	15,758
Inventories	97,372	69,350
Prepaid expenses	365,513	386,748
Total current assets	<u>6,680,619</u>	<u>5,150,412</u>
Property and equipment, net	<u>134,333,301</u>	<u>133,816,144</u>
Other assets:		
Designated cash - security deposits, operating reserves and escrows	10,433,733	9,450,475
Designated cash - board-designated reserve fund	800,005	700,015
Designated cash - second mortgages and grants	315,257	289,380
Designated cash - other	1,948	121,884
Restricted cash - NeighborWorks America	1,086,050	1,032,208
Notes receivable - second mortgages, net of current portion	309,273	394,034
Deferred costs, net	933,001	909,961
	<u>13,879,267</u>	<u>12,897,957</u>
Total assets	<u>\$ 154,893,187</u>	<u>\$ 151,864,513</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Current portion of long-term debt	\$ 1,998,439	\$ 1,801,176
Accounts payable and accrued liabilities	1,474,765	1,253,495
Deferred revenue	103,193	84,723
Deferred revenue, LIFT program	2,400,000	-
Accrued interest payable	505,270	473,467
Total current liabilities	<u>6,481,667</u>	<u>3,612,861</u>
Restricted deposits:		
Tenants' security deposits	<u>710,526</u>	<u>666,503</u>
Long-term liabilities:		
Long-term debt, net of unamortized debt issuance costs, net of current portion	81,348,944	77,235,107
Construction loans payable	-	4,543,281
Accrued interest payable	1,690,689	1,897,529
	<u>83,039,633</u>	<u>83,675,917</u>
Net assets:		
Unrestricted		
Controlling interests	\$ 1,789,092	\$ 1,969,207
Non-controlling interests	58,352,750	57,170,506
Total unrestricted net assets	<u>60,141,842</u>	<u>59,139,713</u>
Permanently restricted	4,519,519	4,769,519
	<u>64,661,361</u>	<u>63,909,232</u>
Total liabilities and net assets	<u>\$ 154,893,187</u>	<u>\$ 151,864,513</u>

See accompanying notes.

**DHIC, Inc. and Subsidiaries**  
**Consolidated Statements of Activities**  
**Years Ended December 31, 2016 and 2015**

	2016			2015
	Unrestricted	Permanently Restricted	Total	Total
Support and revenue:				
Support:				
City of Raleigh	\$ 108,000	\$ -	\$ 108,000	\$ 108,000
NeighborWorks unrestricted grants	337,069	-	337,069	336,443
NeighborWorks restricted grants	-	350,000	350,000	550,000
AG settlement grant	-	-	-	45,651
Bank and foundation grants	388,800	-	388,800	117,000
Other support and contributions	14,477	-	14,477	24,040
Net assets released from restriction	600,000	(600,000)	-	-
Total support	<u>1,448,346</u>	<u>(250,000)</u>	<u>1,198,346</u>	<u>1,181,134</u>
Revenue:				
Gross rental income - apartment complexes	13,251,874	-	13,251,874	12,699,037
Proceeds from sale of homes	-	-	-	2,771,950
Homeownership counseling and referral fees	143,316	-	143,316	131,884
Forgiveness of note payable	-	-	-	300,000
Other income	569,780	-	569,780	543,007
Interest income	18,346	-	18,346	20,242
Total revenue	<u>13,983,316</u>	<u>-</u>	<u>13,983,316</u>	<u>16,466,120</u>
Total support and revenue	<u>15,431,662</u>	<u>(250,000)</u>	<u>15,181,662</u>	<u>17,647,254</u>
Costs and expenses:				
Program services:				
Asset management program	233,761	-	233,761	192,701
Home ownership program	535,127	-	535,127	558,033
Support services program	141,880	-	141,880	89,733
Real estate development	999,978	-	999,978	3,394,698
Apartment complexes	17,099,752	-	17,099,752	18,344,126
Total program services	<u>19,010,498</u>	<u>-</u>	<u>19,010,498</u>	<u>22,579,291</u>
Supporting services:				
Management and general	551,876	-	551,876	552,108
Total costs and expenses	<u>19,562,374</u>	<u>-</u>	<u>19,562,374</u>	<u>23,131,399</u>
Change in net assets	(4,130,712)	(250,000)	(4,380,712)	(5,484,145)
Capital contributions - noncontrolling interests	5,140,537	-	5,140,537	3,015,508
Capital distributions - noncontrolling interests	(7,696)	-	(7,696)	(4,000)
Syndication costs - noncontrolling interests	-	-	-	(20,000)
Net assets, beginning	<u>59,139,713</u>	<u>4,769,519</u>	<u>63,909,232</u>	<u>66,401,869</u>
Net assets, ending	<u>\$ 60,141,842</u>	<u>\$ 4,519,519</u>	<u>\$ 64,661,361</u>	<u>\$ 63,909,232</u>

See accompanying notes.

**DHIC, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>As Adjusted 2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (4,380,712)	\$ (5,484,145)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	5,196,500	7,173,923
Amortization of debt issuance costs	92,875	71,065
Bad debt expense	176,210	102,866
Forgiveness of debt income	-	(300,000)
Interest capitalized on notes receivable - second mortgages	(4,347)	(7,426)
Loss on disposal of fixed assets	41,114	88,533
Change in assets and liabilities:		
Increase in accounts receivable	(242,803)	(186,835)
(Increase) decrease in inventories	(67,987)	701,971
(Increase) decrease in prepaid expenses	21,235	(115,304)
Increase (decrease) in accounts payable and accrued liabilities	(15,285)	(817,222)
Increase in deferred revenue	18,470	18,757
Increase (decrease) in accrued interest payable	(175,037)	363,548
Increase in tenants' security deposits	44,023	50,238
	<u>704,256</u>	<u>1,659,969</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(5,332,425)	(10,943,003)
Decrease in due from affiliates	-	2,599
Principal collections on notes receivable - second mortgages	4,591	6,501
(Increase) decrease in cash restricted by NeighborWorks America	(53,842)	373,552
Increase in designated cash - security deposit, reserves and escrows	(983,258)	(608,913)
Increase in designated cash - board-designated	(99,990)	(95,011)
(Increase) decrease in designated cash - second mortgages and grants	(25,877)	202,452
Decrease in designated cash - other	119,936	45,883
	<u>(6,370,865)</u>	<u>(11,015,940)</u>
Net cash used by investing activities		

See accompanying notes.

**DHIC, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

**(Continued)**

	<u>2016</u>	<u>As Adjusted 2015</u>
Cash flows from financing activities:		
Proceeds from long-term borrowings	\$ 6,704,901	\$ 4,832,427
Principal payments on long-term borrowings	(2,368,619)	(2,556,008)
Proceeds from construction loans payable	-	6,567,395
Repayment of construction loans payable	(4,543,281)	(2,024,114)
Payment of deferred costs	(168,866)	(200,212)
Payment of debt issuance costs	(118,057)	-
Syndication costs	-	(20,000)
Capital contributions made to partnerships/limited liability companies	5,140,537	3,015,508
Capital distributions paid to limited partners	(7,696)	(4,000)
	<u>4,638,919</u>	<u>9,610,996</u>
Net cash provided by financing activities	<u>4,638,919</u>	<u>9,610,996</u>
Net increase (decrease) in cash	(1,027,690)	255,025
Cash, beginning	<u>4,454,070</u>	<u>4,199,045</u>
Cash, ending	<u>\$ 3,426,380</u>	<u>\$ 4,454,070</u>
Reconciliation of cash:		
Cash, parent company	\$ 773,643	\$ 808,210
Cash, subsidiary construction	213,988	1,574,381
Cash, subsidiary operations	<u>2,438,749</u>	<u>2,071,479</u>
Cash, ending	<u>\$ 3,426,380</u>	<u>\$ 4,454,070</u>
Supplemental disclosure of cash flow information:		
Cash payments for interest, net of interest capitalized	<u>\$ 2,573,328</u>	<u>\$ 1,906,330</u>
Supplemental disclosures of noncash investing and financing activities:		
Investment in property and equipment included in accounts payable and accrued expenses	<u>\$ 1,274,864</u>	<u>\$ 1,097,748</u>
Deferred costs included in accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ 128,227</u>
Transfer of assets from inventory to property and equipment	<u>\$ 39,965</u>	<u>\$ -</u>

See accompanying notes.



## **Notes to Consolidated Financial Statements**

### **1. Basis of Presentation and Accounting Policies**

#### ***Organization***

DHIC, Inc. (“DHIC”), a non-profit corporation, and its affiliates develop, finance, and/or manage affordable housing for low- to moderate-income residents of North Carolina, with a primary emphasis on Wake County and the greater Research Triangle region. DHIC also works to improve deteriorated or blighted neighborhoods by building new housing and other support facilities. In addition, DHIC provides supportive community services to residents of its housing complexes, including support to seniors and youth summer camp scholarships. It also operates a comprehensive homebuyer counseling program, which includes one-on-one and group counseling classes, and access to down payment assistance programs.

A summary of the significant accounting policies of DHIC, Inc. and Subsidiaries (the “Corporation”) consistently applied in the preparation of the accompanying consolidated financial statements follows.

#### ***Basis of accounting***

The consolidated financial statements have been prepared on the accrual basis.

#### ***Principles of consolidation***

The consolidated financial statements include the accounts of DHIC, Inc. and its wholly owned subsidiaries. These wholly owned subsidiaries hold general partner or managing member interests in limited partnerships and/or limited liability companies that own affordable housing projects. The accounts of these wholly owned subsidiaries are included with DHIC, Inc. in the supplemental schedules.

The Corporation presents its consolidated financial statements under FASB ASC 958-810, which requires consolidation of all entities in which DHIC has a controlling financial interest and all not-for profit entities that share board control, and for which an economic interest exists. Under the guidance of Emerging Issues Task Force Issue No. 04-05, Determining whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity when the Limited Partners Have Certain Rights, the consolidated financial statements include the accounts of limited partnership or limited liability companies in which DHIC or one of its wholly owned subsidiaries is the general partner or managing member, but does not hold a majority financial interest. All significant intercompany transactions and balances have been eliminated in the consolidation.

A schedule of the DHIC wholly owned subsidiaries, limited partnerships/liability companies and corresponding ownership percentage at December 31, 2016 is as follows:

<u>100% DHIC, Inc.-Owned Subsidiary</u>	<u>Limited Partnership/ Liability Company</u>	<u>Managing General Partner/ Member Ownership Percentage</u>	<u>Apartment Community</u>	<u>Number of Units</u>
Booker Park North Housing, Inc.	Booker Park North, LLC*	90.000	Booker Park North	72**
Brookridge Affordable Housing Inc.	Brookridge Housing, LLC	0.0090	Brookridge	41
Camden Glen Affordable Housing, Inc.	Camden Glen, LLC	0.0100	Emerson Glen	48

**DHIC, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

<u>100% DHIC, Inc.-Owned Subsidiary</u>	<u>Limited Partnership/ Liability Company</u>	<u>Managing General Partner/ Member Ownership Percentage</u>	<u>Apartment Community</u>	<u>Number of Units</u>
Capital Ventures Investment Group, Inc. Cardinal Chase, Inc.	Braebourne Limited Partnership*** Cardinal Chase Development, LLC	0.0100 0.0100	Madison Glen Cardinal Chase	120 48
Carlton Place, Inc.	Carlton Place Development, LLC	0.0090	Carlton Place	80
Common Oaks Affordable Housing, Inc.	Wakefield Affordable Housing, LLC	0.0100	Wakefield Hills	80
Creston Commons Development Corporation	Creston Commons II, LLC	0.0100	Creston Commons II	32
Dacian Glen Redevelo- pment, Inc.	Dacian Glen LLC	0.0100	Glenbrook Crossing	63
Davis Drive Development, Inc.	Willow Creek Seniors, LLC	0.0100	Willow Creek	53
Greenfield Commons Development, Inc.	Greenfield Senior Housing, LLC*	90.0000	Greenfield Commons	69**
Greenfield Place Development, Inc.	Greenfield Workforce Housing, LLC	.0100	Greenfield Place	80**
Highland Seniors Development, Inc.	Highland Seniors Limited Partnership	0.0090	Commons at Highland Village	68
Highland Village Development Inc.	Highland Village Limited Partnership	0.0100	Highland Village	50
Lennox Chase, Inc.	Lennox Chase Development, LLC	0.0100	Lennox Chase	37
MacGregor Village, Inc.	MacGregor Housing Limited Partnership***	0.0100	MacGregor Village	48
Maplewood Senior Housing, Inc.	Maplewood Partners, LLC	0.0034	Maplewood Square	32
Meadowcreek Seniors, Inc.	Meadowcreek Commons, LLC	0.0100	Meadowcreek Commons	48
Peak Housing Corporation	Beechridge II, LLC	0.0100	Beechridge II	32
Pennington Grove Senior Housing, Inc.	Pennington Grove, LLC*	90.0000	Pennington Grove	83**
Prairie Associates, Inc.	Prairie, LLC	0.0100	Prairie Building	11
ROG Development, Inc.	ROG Preservation, LLC	0.0100	University Park	100
Tryon Road Improvement Corporation	Tryon Grove Limited Partnership	1.0000	Tryon Grove	48
Wakefield Senior Housing, Inc.	Wakefield Manor, LLC	0.0100	Wakefield Manor	96
Washington Terrace Redevelopment, Inc.	Washington Terrace Affordable Housing, LLC	0.0100	Village at Washington Terrace	162**
Water Garden Affordable Housing, Inc.	Water Garden Village, LLC	0.0090	Water Garden Village	60
Water Garden Senior Housing, Inc.	Water Garden Park, LLC	0.0100	Water Garden Park	88

\* DHIC is also one of the initial members of the LLC at December 31, 2016

\*\* Units under construction or in pre-development stages

\*\*\*CRPC owns the 99.99% investor interest as of December 31, 2016

Additionally, effective January 14, 2016, DHIC obtained a 50% ownership in Capital Towers III, LLC. DHIC is charged with management of the Capital Towers III, LLC entity and accordingly, the entity is consolidated.

## **DHIC, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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Additionally, the consolidated financial statements include the accounts of other non-profit entities that are commonly controlled by DHIC Board members and for which an economic interest exists. These entities are as follows:

- Caraleigh Housing Investment Corporation
- Community Revitalization and Preservation Corporation ("CRPC")
- MacGregor Housing Development Corporation (MacGregor Village II, 32 units)

As of December 2016 and 2015, CRPC is the sole member of the following companies:

- Avonlea, LLC (Avonlea, 44 units)
- Beechridge Housing, LLC (Beechridge, 40 units)
- Highland Terrace, LLC (Highland Terrace, 80 units)
- Jeffries Ridge, LLC (Jeffries Ridge, 32 units)
- Murphey School, LLC (Murphey School, 48 units)
- Santree Commons, LLC (Santree Commons, 24 units)
- Sedgebrook, LLC (Sedgebrook, 32 units)
- Weston Trace Housing, LLC (Weston Trace, 48 units)
- College Park Collaborative, LLC (Washington Terrace, 245 units)
- Ripley Station Housing, LLC (Ripley Station, 48 units)

As of December 31, 2016, CRPC is also the sole member of:

- Bay River Housing, LLC (Bay River, 20 units)
- Creston Commons, LLC (Creston Commons, 48 units)

As of December 31, 2016, CRPC holds a 99.99% ownership interest in:

- MacGregor Housing Limited Partnership (MacGregor Village, 48 units)
- Braebourne Limited Partnership (Madison Glen, 120 units)

All inter-company transactions have been eliminated in consolidation. A summary of the eliminations is as follows:

- Development fee income for DHIC incurred by the limited partners/liability companies and capitalized into building costs, net of depreciation expense.
- Partnership management fee income for DHIC and related partnership management fee expense for the limited partnerships/liability companies.
- Interest income and corresponding interest expense on notes receivable between DHIC and the limited partnerships/liability companies.
- Rent income and related rent expense between DHIC and one of the limited liability companies.
- Notes receivable and accrued interest receivable for DHIC and the related notes payable and accrued interest payable of the limited partnerships/liability companies.
- Development fees and partnership management fees receivable for DHIC and the related payables on the limited partnerships/liability companies, and any related bad debt expense.

**DHIC, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

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The consolidated financial statements do not include the accounts of other separate non-profit corporations as noted below, which are affiliated with DHIC through common board members and the providing of managerial, accounting and administrative services by DHIC to the affiliated corporations. There is no economic interest between DHIC and these entities due to regulatory agreements with HUD pertaining to the operation of projects funded under the HUD 202 program.

- Chadwick Apartments, Inc. (Chadwick, 41 units)
- Highland Manor Apartments, Inc. (Highland Manor, 32 units)
- Roanoke Housing Development Corporation (Roanoke Commons and Club Plaza, 65 units)
- WFEH, Incorporated (Turnberry, 41 units)

***Accounts receivable and notes receivable***

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Notes receivable are stated at principal amounts and are collateralized by a deed of trust on the related property and the improvements located thereon. Management reviews each receivable and establishes an allowance for doubtful accounts, when determined necessary, based on historical experience, current economic conditions, and by regularly evaluating individual receivables.

Tenant receivables for the affordable housing properties are charged to bad debt expense when they are determined to be uncollectible. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method for these receivables is not materially different from the results that would have been obtained under the allowance method.

***Inventories***

Inventories represent the cost of townhomes and land under development for purposes of ultimate sale. Inventories are stated at the lower of cost or fair value. The fair value is based on management's best estimate of current market conditions and appraisals.

***Property, equipment and depreciation***

Purchased property and equipment are recorded at cost, and donated equipment is recorded at fair market value. The Corporation primarily uses the straight-line method of depreciation over the estimated useful lives of the assets, as follows:

Land improvements	15 to 20 years
Buildings and improvements	40 to 50 years
Furnishings and equipment	3 to 10 years

Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

***Impairment of long-lived assets***

The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. No impairment losses were recognized during the years ended December 31, 2016 and 2015.

**DHIC, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

***Functional allocation of expenses***

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities.

***Presentation of deferred financing costs***

Effective January 1, 2016, the Corporation has adopted ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which amends current presentation guidance by requiring debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 does not change the recognition and measurement requirement for debt issuance costs. Prior to the issuance of this ASU, an entity would present debt issuance costs as an asset. The new accounting guidance simplified the presentation as debt issuance costs are now shown as a direct deduction from long-term debt.

The accompanying consolidated financial statements have been adjusted to reflect retrospective application of the new accounting guidance as follows:

	<b>December 31, 2015</b>		
	<b>As Previously Reported</b>	<b>Retrospective Adjustment</b>	<b>As Adjusted</b>
<b>Consolidated statement of financial position</b>			
Assets:			
Deferred costs, net	\$ 2,163,359	\$ (1,253,398)	\$ 909,961
Total other assets	14,151,355	(1,253,398)	12,897,957
Total assets	153,117,911	(1,253,398)	151,864,513
Liabilities and net assets:			
Long-term debt, net	78,488,505	(1,253,398)	77,235,107
Total long-term liabilities	84,929,315	(1,253,398)	83,675,917
Total liabilities and net assets	153,117,911	(1,253,398)	151,864,513
<b>Consolidated statement of cash flows</b>			
Cash flows from operating activities:			
Depreciation and amortization expense	\$ 7,244,988	\$ (71,065)	\$ 7,173,923
Amortization of debt issuance costs	-	71,065	71,065

***Income taxes***

DHIC and its non-profit affiliates are not-for-profit corporations pursuant to Section 501(c)(3) of the Internal Revenue Code and, accordingly, are exempt from federal and state income taxes. The income or loss from the limited partnerships/liability companies is reported by the individual partners/members on their income tax returns. Thus, the accompanying consolidated financial statements do not reflect a provision or liability under federal and state income taxes. DHIC has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2016.

***Public support and revenue***

Public support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. If the restrictions expire in the year in which the revenues are recognized, then the revenues are reported as increases in the unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulation or law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

## **DHIC, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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Revenue from government grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreement. Revenue from program service fees is recognized when the service is complete.

Rental income is recognized for residential units as they accrue. Advance receipts of rental income will be deferred until earned. All leases between the Corporation and tenants of the property are operating leases.

Revenue from all home-building activities is recognized upon closing of the sale using the deposit method. During construction, all direct material and labor costs and indirect costs related to acquisition and construction are capitalized, and all customer deposits are treated as liabilities.

DHIC earns fees for development of properties and generally recognizes the fees as earned over the development period pro rata, as stated in the development agreements. Development fees from consolidated subsidiaries are eliminated as intercompany transactions. DHIC estimates that 37% of its development fees covers related project costs, such as allocated internal salaries and benefits and related overhead, that are ordinarily capitalized. Therefore, property and equity costs have been reduced by 63% of the developer fees.

#### ***Net assets***

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

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. The non-controlling interest in unrestricted net assets represents the aggregate positive balances of the limited partners or investor members' equity interest in non-wholly owned limited partnerships and limited liability companies that are included in the consolidated financial statements.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation. The donors of these assets permit the Corporation to use all or part of the income earned on related investments for general or specific purposes.

#### ***Use of estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Fair value of financial instruments***

The carrying amounts of cash, receivables, prepaid expenses, deposits, designated cash, accounts payable, accrued expenses, and refundable security deposits approximate fair value because of the short maturities of these instruments. Variable rate construction loans approximate fair value because of the variable rate. The fair value of the fixed-rate long-term debt, including long-term fixed-rate construction loans, is approximately \$60,000,000 and \$61,000,000 at December 31, 2016 and 2015, respectively, which is based on market rates for similar loans.

#### ***Reclassifications***

Certain items in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

#### ***Subsequent events***

DHIC evaluated the effect subsequent events would have on the consolidated financial statements through June 28, 2017, which is the date the consolidated financial statements were available to be issued.

**DHIC, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

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**2. Inventories**

Inventory consists of townhomes and land under development for future projects. Total inventories at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Pennington Phase II	\$ 20,979	\$ -
Washington Terrace	67,248	60,924
Other	<u>9,145</u>	<u>8,426</u>
	<u>\$ 97,372</u>	<u>\$ 69,350</u>

**3. Property and Equipment**

Property and equipment at December 31, 2016 and 2015 consists of the following:

	<u>2016</u>			<u>2015</u>
	<u>DHIC</u>	<u>Housing Entities</u>	<u>Total</u>	<u>Total</u>
Land and improvements	\$ -	\$ 39,117,628	\$ 39,117,628	\$ 37,493,346
Buildings and improvements	-	135,472,810	135,472,810	135,834,397
Furnishings and equipment	364,687	5,622,766	5,987,453	5,936,242
Construction-in-progress	-	<u>4,177,739</u>	<u>4,177,739</u>	-
	<u>364,687</u>	<u>184,390,943</u>	<u>184,755,630</u>	179,263,985
Accumulated depreciation	<u>(296,238)</u>	<u>(50,126,091)</u>	<u>(50,422,329)</u>	<u>(45,447,841)</u>
Total, net of accumulated depreciation	<u>\$ 68,449</u>	<u>\$ 134,264,852</u>	<u>\$ 134,333,301</u>	<u>\$ 133,816,144</u>

Depreciation expense amounted to \$5,092,014 and \$7,078,695, respectively, for the years ended December 31, 2016 and 2015.

**4. Notes Receivable - Second Mortgages**

Notes receivable - second mortgages of DHIC consist of the following at December 31, 2016 and 2015:

Hope III Program

Second mortgages made by DHIC under the Hope III Program consist of 6 and 10 loans at December 31, 2016 and 2015, respectively, for homes which were acquired, rehabilitated and sold in connection with funds granted to the Corporation under this program. The notes are noninterest-bearing unless and until a default has been declared by the Corporation, whereby an interest rate of 8% would be charged. Payment of principal under the notes will be initially deferred until the end of the 73rd month after the date of the execution of the notes. Beginning on the first day of the 74th month after execution of the note, and on the first day of each month thereafter, the outstanding principal balance shall be forgiven by 1/168th of the original balance until the balance is zero. In the event of default under the note or voluntary sale of the

**DHIC, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

property, the principal balance becomes due immediately. As of December 31, 2016 and 2015, all second mortgages under the Hope III Program have been reserved as uncollectible.

**Notes Receivable - Second Mortgages of the DHIC Affiliates**

Second mortgages consist of 5 and 7 homes at December 31, 2016 and 2015, respectively, for which affiliates of DHIC have provided secondary mortgages. These loans range from \$8,600 to \$18,200 in original loan amount. Loans typically accrue 4% interest, compounded annually, with no payments due until the home is sold, the loan is refinanced, or 30 years, whichever comes first. Some loans require that the primary loan be paid in full before the second mortgage is repaid. As of December 31, 2016 and 2015, second mortgages of the DHIC affiliates amounted to \$101,982 and \$187,365, respectively.

**Other Second Mortgage Loans**

Other second mortgages consist of 23 and 24 homes at December 31, 2016 and 2015, respectively, for which DHIC has provided secondary mortgages. These loans range from \$2,605 to \$15,000 in original loan amount. Loans up to \$5,000 are typically noninterest-bearing notes with no payments due until the home is sold, the loan is refinanced, or 30 years, whichever comes first. Larger loans, which are typically \$15,000, accrue interest at 2%, with monthly payments being made over a 30-year period. As of December 31, 2016 and 2015, other second mortgage loans, net of an allowance for doubtful accounts, amounted to \$217,836 and \$222,427, respectively.

Maturities of second mortgage loans subsequent to December 31, 2016 are as follows:

<b><u>Year Ending December 31,</u></b>		
2017	\$	10,545
2018		10,404
2019		8,392
2020		4,445
2021		4,535
Thereafter		67,241
*		<u>290,382</u>
		395,944
Allowance for doubtful accounts		<u>(76,126)</u>
	<b>\$</b>	<b><u>319,818</u></b>

*\*The maturities of these mortgages are undeterminable as of December 31, 2016.*

**5. Designated and Restricted Cash**

Designated and restricted cash consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Designated cash - security deposits, reserves and escrows:		
Subsidiaries - reserves, security deposits, tax, insurance, and construction escrows	<b>\$ 10,249,153</b>	\$ 9,265,961
DHIC - external operating reserves	<b>184,580</b>	184,514
Board-designated reserve fund, NeighborWorks	<b>600,000</b>	600,000
Board-designated reserve fund, Operations	<b>200,005</b>	100,015
DHIC - reserves available for priority markets, second mortgages and grants	<u><b>315,257</b></u>	<u>289,380</u>
	<b><u>\$ 11,548,995</u></b>	<b><u>\$ 10,439,870</u></b>



**DHIC, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

	<u>2016</u>	<u>2015</u>
Designated cash - other:		
Escrow deposits	\$ 1,044	\$ 1,044
Equity equivalent line	<u>904</u>	<u>120,840</u>
	<u>\$ 1,948</u>	<u>\$ 121,884</u>
Restricted cash - NeighborWorks America:		
Grant funds	\$ 1,015,575	\$ 965,558
Grant funds - reserved for second mortgages	<u>70,475</u>	<u>66,650</u>
	<u>\$ 1,086,050</u>	<u>\$ 1,032,208</u>

In 2010, the DHIC Board of Directors voted to establish a designated reserve fund. Officers of DHIC are authorized to use the reserve as an internal credit line as long as there is a clear source of repayment. Other more permanent uses of funds (such as for operations, land purchases, or loans to properties) would require prior Board approval. The balance of the board-designated reserve was \$800,005 and \$700,015 as of December 31, 2016 and 2015, respectively.

**6. Deferred Costs**

Deferred costs consist of the following as of December 31:

	<u>2016</u>	<u>As Adjusted 2015</u>
Tax credit fees, net of accumulated amortization of \$655,710 in 2016 and \$560,359 in 2015	\$ 911,670	\$ 885,963
Prefunded asset management fees, net of accumulated amortization of \$18,669 in 2016 and \$16,002 in 2015	<u>21,331</u>	<u>23,998</u>
	<u>\$ 933,001</u>	<u>\$ 909,961</u>

Tax credit fees are being amortized using the straight-line method over 15 years, the tax credit compliance period. Prepaid asset management fees are expensed over five years. Amortization expense amounted to \$104,486 and \$95,228, respectively, for the years ended December 31, 2016 and 2015.

**DHIC, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**7. Long-Term Debt**

Long-term debt at December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>As Adjusted 2015</u>
Noninterest-bearing promissory note payable by DHIC, Inc. to the Town of Cary, with forgiveness of the loan dependent on occurrence of certain events.	\$ 125,000	\$ 125,000
Unsecured note payable by DHIC, Inc. to Wells Fargo, dated June 14, 2012, with interest-only payments at 2.00% due monthly. All unpaid principal and interest is due and payable at maturity on June 14, 2016, but is deferrable for an additional 24 months.	350,000	350,000
Note payable by DHIC, Inc. to First Citizens Bank, dated August 20, 2014, in the initial amount of \$400,000 with interest-only payments due at the prime rate plus 0.50%. The note since been modified to increase the maximum loan amount to \$700,000. All unpaid principal and interest is due and payable at maturity on October 20, 2017.	565,250	-
Note payable by CRPC to Community Housing Capital, Inc., dated September 29, 2016, for the purchase of land for the Pennington Grove development project, secured by a first lien deed of trust. Monthly interest-only payments are due at 5.50%, commencing October 1, 2016. All unpaid principal and interest is due and payable at maturity on September 29, 2019.	1,125,000	-
Permanent first mortgage loans payable by various properties bearing interest from 2% to 9%, generally with principal and interest due monthly, to be repaid in full through 2052, secured by deeds of trust on the respective apartment complexes.	28,952,516	26,747,397
Local and state loans payable by various properties, bearing interest from 0% to 8%, generally payable monthly, to be repaid in full through 2054, secured by deeds of trust on respective apartment complexes.	42,384,492	40,432,220
Local loans payable by various properties, bearing interest from 0% to 6.5%, generally payable out of excess cash annually in arrears to be repaid in full through 2040, secured by deeds of trust on respective apartment complexes.	\$ 11,033,617	\$ 12,635,064
Less unamortized debt issuance costs	<u>(1,188,492)</u>	<u>(1,253,398)</u>
	<b>83,347,383</b>	79,036,283
Less current portion	<u>(1,998,439)</u>	<u>(1,801,176)</u>
	<u><b>\$ 81,348,944</b></u>	<u><b>\$ 77,325,107</b></u>

**DHIC, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

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Maturities of long-term debt subsequent to December 31, 2016 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2017	\$ 1,998,439
2018	5,446,429
2019	4,187,426
2020	1,350,121
2021	1,716,819
Thereafter	67,410,692
*	<u>2,425,949</u>
	<u>\$ 84,535,875</u>

\*The future maturity date of this amount is undeterminable as of December 31, 2016.

Total interest cost incurred was \$2,310,587 and \$2,256,788, respectively, for the years ended December 31, 2016 and 2015, of which \$0 was capitalized and \$2,398,291 was expensed in 2016, and \$1,847 was capitalized and \$2,269,878 was expensed in 2015. Additionally, debt issuance costs were amortized to interest expense in the amount of \$92,875 and \$71,065 during the years ended December 31, 2016 and 2015.

During September 2016, the Corporation obtained a line of credit from First Tennessee Bank in the maximum amount of \$1,000,000 with interest only payments at the 30-day LIBOR rate plus 2.30% due monthly. All unpaid principal and interest is due and payable at maturity on September 30, 2018. As of December 31, 2016, no funds have been drawn on this note.

At December 31, 2016, the Corporation was in compliance with its financial covenants.

## **8. Construction Loans Payable**

As of December 31, 2015, two DHIC subsidiaries had outstanding construction loans totaling \$4,543,281 for recently constructed apartment complexes. The construction loans bore interest at 2.5% and 4% and had maturity dates through April 2017. During 2016, these loans were repaid in full upon obtaining permanent financing. Total interest cost incurred amounted to \$76,583 for the year ended December 31, 2016, all of which was expensed. Total interest cost incurred amounted to \$123,112 for the year ended December 31, 2015, of which \$108,175 was capitalized, and \$14,937 was expensed.

On March 29, 2016, Pennington Grove, LLC entered into a carryover loan with the NCHFA in the amount of \$669,750 for pre-development costs. This loan bore interest at a rate of 3.25%, with all outstanding principal and accrued interest to be paid in full upon maturity on March 29, 2017. This loan was repaid in full on September 30, 2016 upon obtaining other sources of financing. Total interest costs incurred under this amount amounted to \$11,121 during the year ended December 31, 2016, all of which was expensed.

**DHIC, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

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**9. Permanently Restricted Net Assets**

Permanently restricted net assets at December 31, 2016 and 2015 were restricted to:

	<u>2016</u>	<u>2015</u>
Investment in perpetuity, income from which is expendable to support operations:		
NeighborWorks America Capital Fund	\$ 2,585,698	\$ 2,835,698
NeighborWorks America CFRAH Fund	88,280	88,280
AHP Bank Grant Fund	<u>1,845,541</u>	<u>1,845,541</u>
	<u>\$ 4,519,519</u>	<u>\$ 4,769,519</u>

During 2016, \$600,000 of capital grant funds were released from restriction by NeighborWorks America. Additionally, \$350,000 of restricted capital funds were received during 2016 from NeighborWorks America, resulting in the net decrease in permanently restricted net assets of \$250,000.

**10. Vacation Pay**

The vacation policy of DHIC provides for the accumulation of up to 30 days' earned vacation leave, with such leave being fully vested when earned. Accumulated earned vacation at December 31, 2016 and 2015 amounted to \$101,030 and \$80,808, respectively.

**11. Retirement Plan**

DHIC sponsors a defined contribution retirement plan covering substantially all of its employees. Contributions are determined as 6% of each covered employee's salary and totaled \$64,602 and \$57,536, respectively, for the years ended December 31, 2016 and 2015.

**12. Affiliated Organizations**

The following non-profit corporations are managed by a board of directors appointed by DHIC. DHIC contributes, at no charge to the affiliated corporations, managerial and administrative services necessary for its ordinary operations. These non-profit corporations are organized to develop and finance affordable housing in the state of North Carolina for persons of low and moderate incomes. The financial position and results of operations for the affiliated non-profit corporations presented below have not been included in these consolidated financial statements. Selected financial information of the affiliated non-profit corporations as of December 31, 2016 and 2015, and for the years then ended are as follows:

**DHIC, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

	<b>2016</b>			
	<u>Total Assets</u>	<u>Accumulated Deficit</u>	<u>Total Revenues</u>	<u>Revenues Over (Under) Expenses</u>
Chadwick Apartments, Inc.	\$ 1,401,377	\$ (764,704)	\$ 235,726	\$ (44,116)
Highland Manor Apartments, Inc.	1,903,619	(961,614)	195,764	(58,522)
Roanoke Housing Development Corporation	1,637,759	(604,242)	542,180	(11,348)
WFEH, Incorporated	1,765,281	(1,180,191)	212,122	(65,955)
	<b>2015 (As Adjusted)</b>			
	<u>Total Assets</u>	<u>Accumulated Deficit</u>	<u>Total Revenues</u>	<u>Revenues Over (Under) Expenses</u>
Chadwick Apartments, Inc.	\$ 1,451,285	\$ (720,588)	\$ 236,376	\$ (39,687)
Highland Manor Apartments, Inc.	1,963,193	(903,092)	184,017	(82,602)
Roanoke Housing Development Corporation	1,684,487	(592,894)	538,762	(20,266)
WFEH, Incorporated	1,830,525	(1,114,236)	207,517	(103,332)

**13. Commitments, Contingencies and Guarantees**

***Operating deficit guarantees***

Operating deficit guarantees are commitments to fund future operating deficits of the limited partnerships/liability companies consolidated herein. The guarantees are issued for certain tax credit partnerships and generally are for the 15-year period when the investor is expected to hold its member or limited partner interest, or for shorter periods (for example, until certain debt ratio or breakeven calculations are achieved). A payment under a guarantee would create a receivable from the partnership and any funding call against the guarantee would first be paid from the general partner's (DHIC's) cash funds. As of December 31, 2016, DHIC has not experienced any calls on these guarantees.

**14. Concentrations**

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash deposits in excess of federally insured limits and amounts guaranteed by the United States Government. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash restricted by NeighborWorks is insured by the FDIC and securities evidencing direct obligations of the U.S. government or U.S. government agencies, or obligations guaranteed by either of them.

The Corporation's operations are concentrated in the affordable housing real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the State Housing Agency.

## **15. Grants and Significant Contributions**

On December 22, 2016, the Corporation entered into a down payment assistance program designed to advance the recovery of cities impacted by the housing crisis, known as "LIFT" (Let's Invest for Tomorrow). The program is sponsored by NeighborWorks and funded from the Wells Fargo Foundation to provide second mortgages for qualified and eligible recipients, as defined. The total funding under the program was projected to be \$4,000,000. Down payment assistance will range from \$2,500 to \$7,500 per eligible recipient. The Corporation will receive an administrative fee of \$1,400 per executed loan. The second mortgages bear no interest and will be reduced in equal parts annually for three years as forgiveness of the mortgage. If a house sells within the three year period, the unamortized portion of the loan will be repayable back to the program. Of the total projected funding, \$2,400,000 was receivable as of the date the grant agreement was entered into. This amount has been included in accounts receivable and deferred revenue as of December 31, 2016. As the funds had not yet been received, no loans had been made under this program as of December 31, 2016.

***Supplementary Information***

**DHIC, Inc. and Subsidiaries**  
**Consolidating Statement of Financial Position**  
**December 31, 2016 and Comparative Totals for 2015**

	2016			As Adjusted 2015	
	DHIC, Inc.	Housing Entities	Eliminations	DHIC, Inc. and Subsidiaries	DHIC, Inc. and Subsidiaries
<b>ASSETS</b>					
Current assets:					
Cash, parent company	\$ 773,643	\$ -	\$ -	\$ 773,643	\$ 808,210
Cash, subsidiary construction	-	213,988	-	213,988	1,574,381
Cash, subsidiary operations	-	2,438,749	-	2,438,749	2,071,479
Development fees receivable, current portion	316,100	-	(316,100)	-	-
Management fees receivable, current portion	24,932	-	(24,932)	-	-
Accounts receivable	88,785	292,024	-	380,809	224,486
Accounts receivable, LIFT program	2,400,000	-	-	2,400,000	-
Due from affiliates, current portion	1,260,970	-	(1,260,970)	-	-
Current portion of notes receivable - second mortgages	10,545	-	-	10,545	15,758
Inventories	97,372	-	-	97,372	69,350
Prepaid expenses	11,130	354,383	-	365,513	386,748
Total current assets	<u>4,983,477</u>	<u>3,299,144</u>	<u>(1,602,002)</u>	<u>6,680,619</u>	<u>5,150,412</u>
Property and equipment, net	<u>68,449</u>	<u>140,423,850</u>	<u>(6,158,998)</u>	<u>134,333,301</u>	<u>133,816,144</u>
Other assets:					
Designated cash - security deposits, external reserves and escrows	184,580	10,249,153	-	10,433,733	9,450,475
Designated cash - board-designated reserve	800,005	-	-	800,005	700,015
Designated cash - priority market, second mortgages and grants	315,257	-	-	315,257	289,380
Designated cash - other	1,948	-	-	1,948	121,884
Restricted cash - NeighborWorks America	1,086,050	-	-	1,086,050	1,032,208
Investments in partnerships/limited liability companies	827,091	-	(827,091)	-	-
Notes receivable - second mortgages, net of current portion	207,291	101,982	-	309,273	394,034
Notes receivable - affiliates	9,782,297	1,125,000	(10,907,297)	-	-
Accrued interest receivable - affiliates	2,840,476	-	(2,840,476)	-	-
Development fees receivable, long-term portion	308,324	-	(308,324)	-	-
Management fees receivable, long-term portion	295,844	-	(295,844)	-	-
Deferred costs, net	-	933,001	-	933,001	909,961
Due from affiliates, long-term portion	639,279	-	(639,279)	-	-
	<u>17,288,442</u>	<u>12,409,136</u>	<u>(15,818,311)</u>	<u>13,879,267</u>	<u>12,897,957</u>
	<u>\$ 22,340,368</u>	<u>\$ 156,132,130</u>	<u>\$ (23,579,311)</u>	<u>\$ 154,893,187</u>	<u>\$ 151,864,513</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Current portion of long-term debt	\$ 565,250	\$ 1,433,189	\$ -	\$ 1,998,439	\$ 1,801,176
Accounts payable and accrued liabilities	147,398	4,822,816	(3,495,449)	1,474,765	1,253,495
Deferred revenue	-	103,193	-	103,193	84,723
Deferred revenue, LIFT program	2,400,000	-	-	2,400,000	-
Accrued interest payable	-	505,270	-	505,270	473,467
Total liabilities	<u>3,112,648</u>	<u>6,864,468</u>	<u>(3,495,449)</u>	<u>6,481,667</u>	<u>3,612,861</u>
Restricted deposits:					
Tenants' security deposits	-	710,526	-	710,526	666,503
Long-term liabilities:					
Long-term debt, net of current portion	475,000	91,781,241	(10,907,297)	81,348,944	77,235,107
Construction loans payable	-	-	-	-	4,543,281
Accrued interest payable	-	4,531,165	(2,840,476)	1,690,689	1,897,529
	<u>475,000</u>	<u>96,312,406</u>	<u>(13,747,773)</u>	<u>83,039,633</u>	<u>83,675,917</u>
Net assets:					
Unrestricted					
Controlling interests	14,233,201	(6,108,020)	(6,336,089)	1,789,092	1,969,207
Non-controlling interests	-	58,352,750	-	58,352,750	57,170,506
Total unrestricted net assets	<u>14,233,201</u>	<u>52,244,730</u>	<u>(6,336,089)</u>	<u>60,141,842</u>	<u>59,139,713</u>
Permanently restricted					
	<u>4,519,519</u>	<u>-</u>	<u>-</u>	<u>4,519,519</u>	<u>4,769,519</u>
	<u>18,752,720</u>	<u>52,244,730</u>	<u>(6,336,089)</u>	<u>64,661,361</u>	<u>63,909,232</u>
	<u>\$ 22,340,368</u>	<u>\$ 156,132,130</u>	<u>\$ (23,579,311)</u>	<u>\$ 154,893,187</u>	<u>\$ 151,864,513</u>



**DHIC, Inc. and Subsidiaries**  
**Schedule of Assets, Liabilities and Net Assets - DHIC, Inc.**  
**December 31, 2016 and 2015**

	2016	As Adjusted 2015
<b>ASSETS</b>		
Current assets:		
Cash, parent company	\$ 773,643	\$ 808,210
Development fees receivable, current portion	316,100	945,000
Management fees receivable, current portion	24,932	21,385
Accounts receivable	88,785	43,550
Accounts receivable, LIFT program	2,400,000	-
Due from affiliates, current portion	1,260,970	534,869
Current portion of notes receivable - second mortgages	10,545	15,758
Inventories	97,372	69,350
Prepaid expenses	11,130	24,305
Total current assets	<u>4,983,477</u>	<u>2,462,427</u>
Property and equipment:		
Property and equipment, net of accumulated depreciation of \$296,238 in 2016 and \$227,786 in 2015	<u>68,449</u>	<u>136,901</u>
Other assets:		
Designated cash - external operating reserves	184,580	184,514
Designated cash - board-designated reserves	800,005	700,015
Designated cash - second mortgages and grants	315,257	289,380
Designated cash - other	1,948	121,884
Restricted cash - NeighborWorks America	1,086,050	1,032,208
Investments in partnerships/limited liability companies	827,091	825,409
Notes receivable - second mortgages, net of current portion	207,291	206,669
Notes receivable - affiliates	9,782,297	9,141,258
Accrued interest receivable - affiliates	2,840,476	2,572,661
Development fees receivable, long-term portion	308,324	885,692
Management fees receivable, long-term portion	295,844	356,505
Due from affiliates, long-term portion	639,279	296,465
	<u>17,288,442</u>	<u>16,612,660</u>
	<u>\$ 22,340,368</u>	<u>\$ 19,211,988</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Current portion of long-term debt	\$ 565,250	\$ -
Accounts payable and accrued liabilities	147,398	205,819
Deferred revenue, LIFT program	2,400,000	-
Total current liabilities	<u>3,112,648</u>	<u>205,819</u>
Long-term debt	<u>475,000</u>	<u>475,000</u>
Net assets:		
Unrestricted	14,233,201	13,761,650
Permanently restricted	4,519,519	4,769,519
	<u>18,752,720</u>	<u>18,531,169</u>
	<u>\$ 22,340,368</u>	<u>\$ 19,211,988</u>

See independent auditors' report.

**DHIC, Inc. and Subsidiaries**  
**Consolidating Schedule of Revenues, Support and Expenses**  
**December 31, 2016 and Comparative Totals for 2015**

	2016			As Adjusted 2015	
	DHIC, Inc.	Housing Entities	Eliminations	DHIC, Inc. and Subsidiaries	DHIC, Inc. and Subsidiaries
Support and revenue:					
Support:					
City of Raleigh	\$ 108,000	\$ -	\$ -	\$ 108,000	\$ 108,000
NeighborWorks unrestricted grants	337,069	-	-	337,069	336,443
NeighborWorks restricted grants	350,000	-	-	350,000	550,000
AG Settlement grant	-	-	-	-	45,651
Bank and foundation grants	388,800	-	-	388,800	117,000
Other support and contributions	14,477	-	-	14,477	24,040
Total support	1,198,346	-	-	1,198,346	1,181,134
Revenue:					
Gross rental income - apartments	-	13,281,874	(30,000)	13,251,874	12,699,037
Proceeds from sale of homes	-	-	-	-	2,771,950
Project development fees	602,800	-	(602,800)	-	-
Partnership management fees	363,945	-	(363,945)	-	-
Homeownership counseling and referral fees	143,316	-	-	143,316	131,884
Forgiveness of note payable	-	-	-	-	300,000
Other income	222,787	346,993	-	569,780	543,007
Interest income	271,431	14,730	(267,815)	18,346	20,242
Total revenue	1,604,279	13,643,597	(1,264,560)	13,983,316	16,466,120
Total support and revenue	2,802,625	13,643,597	(1,264,560)	15,181,662	17,647,254
Operating expenses:					
Salaries and related expenses	1,711,539	2,217,298	(244,284)	3,684,553	3,286,801
Cost of sales of homes	-	-	-	-	2,554,168
Office supplies and expense	31,424	955,284	-	986,708	1,051,556
Equipment and computer	17,055	-	-	17,055	18,050
Rent, utilities and maintenance	57,457	3,665,913	(30,000)	3,693,370	3,472,017
Memberships and publications	17,769	-	-	17,769	16,607
Professional fees	217,725	39,824	-	257,549	168,822
Audit and accounting fees	42,500	239,608	-	282,108	245,772
Marketing and advertising	54,302	44,712	-	99,014	123,518
Travel and parking	36,784	-	-	36,784	32,157
Events and promotions	13,637	-	-	13,637	36,964
Training and conferences	22,584	-	-	22,584	20,181
Corporate tax, insurance and license fees	12,800	1,308,228	-	1,321,028	1,103,155
Miscellaneous and bank fees	6,439	130	-	6,569	6,123
Contribution expense	22,812	-	-	22,812	48,550
Program expense	18,009	-	-	18,009	4,052
Development expense	139,808	7,626	-	147,434	246,674
Partnership management fees	-	1,394,346	(363,945)	1,030,401	989,967
Interest expense	39,978	2,719,003	(267,815)	2,491,166	2,340,943
Total operating expenses	2,462,622	12,591,972	(906,044)	14,148,550	15,766,077
Non-operating expenses:					
Depreciation and amortization	68,452	5,358,170	(230,122)	5,196,500	7,173,923
Bad debt expense	50,000	176,210	(50,000)	176,210	102,866
Loss on disposal of assets	-	41,114	-	41,114	88,533
Total non-operating expenses	118,452	5,575,494	(280,122)	5,413,824	7,365,322
Excess (deficiency) of support and revenue over costs and expenses	\$ 221,551	\$ (4,523,869)	\$ (78,394)	\$ (4,380,712)	\$ (5,484,145)

**DHIC, Inc. and Subsidiaries**  
**Schedule of Revenues, Support and Expenses By Fund - DHIC, Inc.**  
**December 31, 2016 and Comparative Totals for 2015**

	2016						As Adjusted 2015
	Program Services				Administrative Fund	Total	
	Real Estate Development Activities	Asset Management Program	Home- Ownership Program	Support Services Program			
Support and revenue:							
Support:							
City of Raleigh	\$ 31,765	\$ 11,118	\$ 30,176	\$ 9,529	\$ 25,412	\$ 108,000	\$ 108,000
NeighborWorks unrestricted grants	78,676	27,537	134,805	24,103	71,948	337,069	336,443
NeighborWorks restricted grants	350,000	-	-	-	-	350,000	550,000
AG Settlement grant	-	-	-	-	-	-	45,651
Bank and foundation grants	269,324	3,964	102,557	3,897	9,058	388,800	117,000
Other support and contributions	-	-	1,535	9,175	3,767	14,477	24,040
Total support	729,765	42,619	269,073	46,704	110,185	1,198,346	1,181,134
Revenue:							
Proceeds from sale of homes	-	-	-	-	-	-	2,771,950
Project development fees	602,800	-	-	-	-	602,800	851,215
Partnership management fees	-	363,945	-	-	-	363,945	338,420
Homeownership counseling and referral fees	-	-	143,316	-	-	143,316	131,884
Other income	63,387	98,523	-	-	60,877	222,787	203,074
Interest income	267,815	-	1,774	-	1,842	271,431	269,211
Total revenue	934,002	462,468	145,090	-	62,719	1,604,279	4,565,754
Total support and revenue	1,663,767	505,087	414,163	46,704	172,904	2,802,625	5,746,888
Operating expenses:							
Salaries and related expenses	605,864	205,792	426,579	99,127	374,177	1,711,539	1,484,749
Cost of sales of homes	-	-	-	-	-	-	2,554,168
Office supplies and expense	13,038	2,146	9,728	1,844	4,668	31,424	31,877
Equipment and computer	5,904	2,066	2,593	1,770	4,722	17,055	18,050
Rent, utilities and maintenance	15,611	5,455	19,248	4,676	12,467	57,457	67,129
Memberships and publications	740	235	1,048	300	15,446	17,769	16,607
Professional fees	152,065	11,485	30,175	6,522	17,478	217,725	120,981
Audit and accounting fees	-	-	-	-	42,500	42,500	47,200
Marketing and advertising	5,817	1,659	7,103	1,421	38,302	54,302	73,803
Travel and parking	12,579	3,012	6,607	4,634	9,952	36,784	32,157
Events and promotions	1,497	530	3,066	1,038	7,506	13,637	36,964
Training and conferences	3,402	95	3,530	3,171	12,386	22,584	20,181
Corporate tax, insurance and license fees	3,675	1,286	3,491	1,103	3,245	12,800	13,191
Miscellaneous and bank fees	-	-	1,959	-	4,480	6,439	6,123
Contribution expense	-	-	20,000	410	2,402	22,812	48,550
Program expense	-	-	-	15,864	2,145	18,009	4,052
Development expense	139,808	-	-	-	-	139,808	203,762
Interest expense	39,978	-	-	-	-	39,978	7,729
Total operating expenses	999,978	233,761	535,127	141,880	551,876	2,462,622	4,787,273
Non-operating expenses:							
Depreciation and amortization	-	-	-	-	68,452	68,452	73,370
Bad debt expense	50,000	-	-	-	-	50,000	-
Total non-operating expenses	50,000	-	-	-	68,452	118,452	73,370
Excess (deficiency) of support and revenue over costs and expenses	\$ 613,789	\$ 271,326	\$ (120,964)	\$ (95,176)	\$ (447,424)	\$ 221,551	\$ 886,245

**DHIC, Inc. and Subsidiaries**  
**Combining Schedule of Assets, Liabilities and Equity - Housing Entities**  
**December 31, 2016 and Comparative Totals for 2015**

	2016									
	Avonlea, LLC	Bay River Limited Partnership	Beechridge Housing, LLC	Beechridge II, LLC	Booker Park North, LLC	Braebourne Limited Partnership	Brookridge Housing, LLC	Camden Glen, LLC	Capital Towers III, LLC	Cardinal Chase Development, LLC
<b>ASSETS</b>										
Current assets:										
Cash, subsidiary construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash, subsidiary operations	112,201	9,028	106,294	50,010	-	20,800	7,390	73,055	41,864	30,016
Accounts receivable	13,636	837	5,616	671	-	2,231	5,667	59,640	-	961
Prepaid expenses and deposits	7,214	3,098	6,542	4,966	-	30,330	8,146	9,424	-	7,524
<b>Total current assets</b>	<b>133,051</b>	<b>12,963</b>	<b>118,452</b>	<b>55,647</b>	<b>-</b>	<b>53,361</b>	<b>21,203</b>	<b>142,119</b>	<b>41,864</b>	<b>38,501</b>
Property and equipment, net of accumulated depreciation of \$52,177,790 in 2016 and \$47,041,632 in 2015	1,212,279	829,230	1,549,044	1,331,789	99,802	5,549,587	3,654,956	6,991,968	356,698	3,238,920
Other assets:										
Designated cash - security deposits, reserves and escrows	206,555	57,076	219,688	151,855	-	500,181	463,170	203,809	-	192,339
Notes receivable - second mortgages, net of current portion	-	-	-	-	-	-	-	-	-	-
Notes receivable - affiliates	-	-	-	-	-	-	-	-	-	-
Deferred costs, net	-	-	-	-	-	-	56,673	73,160	-	13,064
	<u>206,555</u>	<u>57,076</u>	<u>219,688</u>	<u>151,855</u>	<u>-</u>	<u>500,181</u>	<u>519,843</u>	<u>276,969</u>	<u>-</u>	<u>205,403</u>
	<u>\$ 1,551,885</u>	<u>\$ 899,269</u>	<u>\$ 1,887,184</u>	<u>\$ 1,539,291</u>	<u>\$ 99,802</u>	<u>\$ 6,103,129</u>	<u>\$ 4,196,002</u>	<u>\$ 7,411,056</u>	<u>\$ 398,562</u>	<u>\$ 3,482,824</u>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>										
Current liabilities:										
Current portion of long-term debt	\$ 14,912	\$ 6,000	\$ 490,239	\$ 18,320	\$ -	\$ 134,944	\$ -	\$ 18,322	\$ -	\$ 26,028
Accounts payable and accrued liabilities	5,370	135,256	154,752	18,165	99,802	27,306	11,914	136,053	398,562	54,131
Deferred revenue	3,334	-	3,483	694	-	3,573	2,480	2,154	-	4,203
Accrued interest payable	4,280	-	3,263	2,470	-	23,324	-	5,995	-	3,882
<b>Total current liabilities</b>	<b>27,896</b>	<b>141,256</b>	<b>651,737</b>	<b>39,649</b>	<b>99,802</b>	<b>189,147</b>	<b>14,394</b>	<b>162,524</b>	<b>398,562</b>	<b>88,244</b>
Restricted deposits:										
Tenants' security deposits	20,797	7,268	12,891	8,097	-	34,028	16,125	30,207	-	13,160
Long-term liabilities:										
Long-term debt, net of unamortized debt issuance costs, net of current portion	1,575,306	739,408	901,678	866,683	-	6,032,616	2,150,164	3,638,441	-	2,084,087
Construction loans payable	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	82,245	43,395	52,188	-	160,555	286,946	4,274	-	214,359
	<u>1,575,306</u>	<u>821,653</u>	<u>945,073</u>	<u>918,871</u>	<u>-</u>	<u>6,193,171</u>	<u>2,437,110</u>	<u>3,642,715</u>	<u>-</u>	<u>2,298,446</u>
Equity (deficit)	(72,114)	(70,908)	277,483	572,674	-	(313,217)	1,728,373	3,575,610	-	1,082,974
	<u>\$ 1,551,885</u>	<u>\$ 899,269</u>	<u>\$ 1,887,184</u>	<u>\$ 1,539,291</u>	<u>\$ 99,802</u>	<u>\$ 6,103,129</u>	<u>\$ 4,196,002</u>	<u>\$ 7,411,056</u>	<u>\$ 398,562</u>	<u>\$ 3,482,824</u>

See independent auditors' report.

**DHIC, Inc. and Subsidiaries**  
**Combining Schedule of Assets, Liabilities and Equity - Housing Entities**  
**December 31, 2016 and Comparative Totals for 2015**

**(Continued)**

	2016									
	Carlton Place Development, LLC	College Park Collaborative, LLC	Creston Commons, LLC	Creston Commons II, LLC	Dacian Glen LLC	Greenfield Senior Housing, LLC	Greenfield Workforce Housing, LLC	Highland Seniors Limited Partnership	Highland Terrace, LLC	Highland Village Limited Partnership
<b>ASSETS</b>										
Current assets:										
Cash, subsidiary construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 213,988	\$ -	\$ -	\$ -
Cash, subsidiary operations	93,895	34,326	59,478	17,694	42,872	-	12,683	12,027	247,155	54,387
Accounts receivable	5,774	7,801	3,490	1,346	64	-	2,337	1,122	7,335	529
Prepaid expenses and deposits	27,074	17,887	5,926	5,551	5,221	-	-	9,588	28,304	7,974
Total current assets	126,743	60,014	68,894	24,591	48,157	-	229,008	22,737	282,794	62,890
Property and equipment, net of accumulated depreciation of \$52,177,790 in 2016 and \$47,041,632 in 2015	7,466,876	2,275,782	2,330,029	2,393,135	5,610,927	93,746	2,217,472	4,347,448	6,836,901	4,014,787
Other assets:										
Designated cash - security deposits, reserves and escrows	347,917	131,490	351,228	131,370	401,319	-	-	409,038	407,483	325,011
Notes receivable - second mortgages, net of current portion	-	-	-	-	-	-	-	-	-	-
Notes receivable - affiliates	-	-	-	-	-	-	-	-	-	-
Deferred costs, net	28,940	-	-	8,886	39,773	-	-	13,871	73,033	15,625
	376,857	131,490	351,228	140,256	441,092	-	-	422,909	480,516	340,636
	<u>\$ 7,970,476</u>	<u>\$ 2,467,286</u>	<u>\$ 2,750,151</u>	<u>\$ 2,557,982</u>	<u>\$ 6,100,176</u>	<u>\$ 93,746</u>	<u>\$ 2,446,480</u>	<u>\$ 4,793,094</u>	<u>\$ 7,600,211</u>	<u>\$ 4,418,313</u>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>										
Current liabilities:										
Current portion of long-term debt	\$ 51,715	\$ -	\$ 17,439	\$ 24,397	\$ 13,089	\$ -	\$ -	\$ 46,044	\$ 70,874	\$ 43,031
Accounts payable and accrued liabilities	327,458	36,811	3,958	28,402	6,522	93,746	490,000	40,526	9,476	4,561
Deferred revenue	9,065	10,177	4,370	3,465	6,569	-	-	3,831	5,681	2,955
Accrued interest payable	13,243	14,667	2,643	238,796	4,403	-	-	6,229	18,599	6,437
Total current liabilities	401,481	61,655	28,410	295,060	30,583	93,746	490,000	96,630	104,630	56,984
Restricted deposits:										
Tenants' security deposits	22,498	33,329	21,412	12,243	26,430	-	-	30,125	48,744	21,375
Long-term liabilities:										
Long-term debt, net of unamortized debt issuance costs, net of current portion	4,028,513	5,564,582	1,732,585	1,429,832	3,383,296	-	300,000	2,101,505	8,650,765	2,394,395
Construction loans payable	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	310,599	-	187,775	-	389,840	-	-	377,014	87,882	176,249
	4,339,112	5,564,582	1,920,360	1,429,832	3,773,136	-	300,000	2,478,519	8,738,647	2,570,644
Equity (deficit)	3,207,385	(3,192,280)	779,969	820,847	2,270,027	-	1,656,480	2,187,820	(1,291,810)	1,769,310
	<u>\$ 7,970,476</u>	<u>\$ 2,467,286</u>	<u>\$ 2,750,151</u>	<u>\$ 2,557,982</u>	<u>\$ 6,100,176</u>	<u>\$ 93,746</u>	<u>\$ 2,446,480</u>	<u>\$ 4,793,094</u>	<u>\$ 7,600,211</u>	<u>\$ 4,418,313</u>

See independent auditors' report.

**DHIC, Inc. and Subsidiaries**  
**Combining Schedule of Assets, Liabilities and Equity - Housing Entities**  
**December 31, 2016 and Comparative Totals for 2015**

**(Continued)**

	2016									
	Jeffries Ridge, LLC	Lennox Chase Development, LLC	MacGregor Housing Limited Partnership	MacGregor Housing Development Corporation	Maplewood Partners, LLC	Meadowcreek Commons, LLC	Murphey School, LLC	Pennington Grove, LLC	Prairie, LLC	Ripley Station Limited Partnership
<b>ASSETS</b>										
Current assets:										
Cash, subsidiary construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash, subsidiary operations	65,957	2,493	55,564	35,406	10,919	8,467	67,254	10,400	21,356	337,817
Accounts receivable	6,233	4,535	9,972	1,468	5,734	-	8,481	19,979	5,000	71,690
Prepaid expenses and deposits	4,072	4,699	6,063	4,864	4,199	9,184	7,472	-	2,664	7,952
Total current assets	<u>76,262</u>	<u>11,727</u>	<u>71,599</u>	<u>41,738</u>	<u>20,852</u>	<u>17,651</u>	<u>83,207</u>	<u>30,379</u>	<u>29,020</u>	<u>417,459</u>
Property and equipment, net of accumulated depreciation of \$52,177,790 in 2016 and \$47,041,632 in 2015	<u>322,590</u>	<u>1,932,191</u>	<u>2,407,537</u>	<u>1,359,513</u>	<u>3,422,081</u>	<u>5,065,225</u>	<u>1,076,662</u>	<u>1,938,015</u>	<u>1,061,355</u>	<u>1,788,690</u>
Other assets:										
Designated cash - security deposits, reserves and escrows	219,043	378,485	300,100	183,144	128,917	222,236	361,583	-	203,866	334,408
Notes receivable - second mortgages, net of current portion	-	-	-	-	-	-	-	-	-	-
Notes receivable - affiliates	-	-	-	-	-	-	-	-	-	-
Deferred costs, net	-	2,097	-	-	25,616	49,928	-	-	-	-
	<u>219,043</u>	<u>380,582</u>	<u>300,100</u>	<u>183,144</u>	<u>154,533</u>	<u>272,164</u>	<u>361,583</u>	<u>-</u>	<u>203,866</u>	<u>334,408</u>
	<u>\$ 617,895</u>	<u>\$ 2,324,500</u>	<u>\$ 2,779,236</u>	<u>\$ 1,584,395</u>	<u>\$ 3,597,466</u>	<u>\$ 5,355,040</u>	<u>\$ 1,521,452</u>	<u>\$ 1,968,394</u>	<u>\$ 1,294,241</u>	<u>\$ 2,540,557</u>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>										
Current liabilities:										
Current portion of long-term debt	\$ 24,026	\$ -	\$ -	\$ 12,500	\$ 7,485	\$ 11,669	\$ 18,740	\$ -	\$ 11,321	\$ 13,831
Accounts payable and accrued liabilities	3,070	17,430	5,372	9,252	29,679	5,393	6,838	604,608	75,593	287,990
Deferred revenue	28	1,622	398	940	1,014	655	3,565	-	-	1,084
Accrued interest payable	3,887	-	-	21,556	-	3,170	28,430	-	-	3,475
Total current liabilities	<u>31,011</u>	<u>19,052</u>	<u>5,770</u>	<u>44,248</u>	<u>38,178</u>	<u>20,887</u>	<u>57,573</u>	<u>604,608</u>	<u>86,914</u>	<u>306,380</u>
Restricted deposits:										
Tenants' security deposits	<u>15,923</u>	<u>12,688</u>	<u>18,024</u>	<u>13,490</u>	<u>11,748</u>	<u>23,958</u>	<u>15,536</u>	<u>-</u>	<u>6,140</u>	<u>22,806</u>
Long-term liabilities:										
Long-term debt, net of unamortized debt issuance costs, net of current portion	1,458,824	1,595,910	1,677,285	2,126,451	1,462,702	2,078,971	2,442,690	1,125,000	678,232	1,472,301
Construction loans payable	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	74,686	379,586	61,897	-	192,856	-	445,364	-	-	486,037
	<u>1,533,510</u>	<u>1,975,496</u>	<u>1,739,182</u>	<u>2,126,451</u>	<u>1,655,558</u>	<u>2,078,971</u>	<u>2,888,054</u>	<u>1,125,000</u>	<u>678,232</u>	<u>1,958,338</u>
Equity (deficit)	<u>(962,549)</u>	<u>317,264</u>	<u>1,016,260</u>	<u>(599,794)</u>	<u>1,891,982</u>	<u>3,231,224</u>	<u>(1,439,711)</u>	<u>238,786</u>	<u>522,955</u>	<u>253,033</u>
	<u>\$ 617,895</u>	<u>\$ 2,324,500</u>	<u>\$ 2,779,236</u>	<u>\$ 1,584,395</u>	<u>\$ 3,597,466</u>	<u>\$ 5,355,040</u>	<u>\$ 1,521,452</u>	<u>\$ 1,968,394</u>	<u>\$ 1,294,241</u>	<u>\$ 2,540,557</u>

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**DHIC, Inc. and Subsidiaries**  
**Combining Schedule of Assets, Liabilities and Equity - Housing Entities**  
**December 31, 2016 and Comparative Totals for 2015**

**(Continued)**

	2016									
	ROG Preservation, LLC	Santree Commons Housing, LLC	Sedgebrook, LLC	Tryon Grove Limited Partnership	Wakefield Affordable Housing, LLC	Wakefield Manor, LLC	Washington Terrace Affordable Housing, LLC	Water Garden Park, LLC	Water Garden Village, LLC	Weston Trace Housing, LLC
<b>ASSETS</b>										
Current assets:										
Cash, subsidiary construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash, subsidiary operations	306,674	15,085	72,248	84,850	21,986	16,625	52,714	23,588	110,968	15,957
Accounts receivable	10,052	4,757	5,279	655	3,385	1,403	-	5,884	2,492	1,460
Prepaid expenses and deposits	23,485	2,830	4,289	7,440	10,812	9,022	-	22,310	16,309	9,604
Total current assets	<u>340,211</u>	<u>22,672</u>	<u>81,816</u>	<u>92,945</u>	<u>36,183</u>	<u>27,050</u>	<u>52,714</u>	<u>51,782</u>	<u>129,769</u>	<u>27,021</u>
Property and equipment, net of accumulated depreciation of \$52,177,790 in 2016 and \$47,041,632 in 2015	<u>10,436,806</u>	<u>802,285</u>	<u>943,098</u>	<u>1,416,040</u>	<u>7,179,538</u>	<u>8,303,552</u>	<u>722,006</u>	<u>10,895,050</u>	<u>8,314,683</u>	<u>1,606,205</u>
Other assets:										
Designated cash - security deposits, reserves and escrows	673,579	140,868	223,413	309,004	485,329	503,544	-	360,757	243,076	253,411
Notes receivable - second mortgages, net of current portion	-	-	-	-	-	-	-	-	-	-
Notes receivable - affiliates	-	-	-	-	-	-	-	-	-	-
Deferred costs, net	162,107	-	7,120	-	34,298	49,118	-	120,396	78,820	-
	<u>835,686</u>	<u>140,868</u>	<u>230,533</u>	<u>309,004</u>	<u>519,627</u>	<u>552,662</u>	<u>-</u>	<u>481,153</u>	<u>321,896</u>	<u>253,411</u>
	<u>\$ 11,612,703</u>	<u>\$ 965,825</u>	<u>\$ 1,255,447</u>	<u>\$ 1,817,989</u>	<u>\$ 7,735,348</u>	<u>\$ 8,883,264</u>	<u>\$ 774,720</u>	<u>\$ 11,427,985</u>	<u>\$ 8,766,348</u>	<u>\$ 1,886,637</u>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>										
Current liabilities:										
Current portion of long-term debt	\$ 48,904	\$ 17,916	\$ 39,001	\$ 26,152	\$ 34,296	\$ 28,223	\$ -	\$ 76,633	\$ 8,858	\$ 50,532
Accounts payable and accrued liabilities	34,951	171,744	119,856	6,479	17,093	15,818	774,750	261,458	5,890	165,125
Deferred revenue	10,085	6	2,647	1,941	1,808	5,808	-	1,444	1,677	1,813
Accrued interest payable	15,484	-	2,550	9,817	19,594	14,264	-	11,026	9,534	4,733
Total current liabilities	<u>109,424</u>	<u>189,666</u>	<u>164,054</u>	<u>44,389</u>	<u>72,791</u>	<u>64,113</u>	<u>774,750</u>	<u>350,561</u>	<u>25,959</u>	<u>222,203</u>
Restricted deposits:										
Tenants' security deposits	<u>15,973</u>	<u>12,673</u>	<u>8,977</u>	<u>16,190</u>	<u>49,904</u>	<u>25,085</u>	<u>-</u>	<u>20,827</u>	<u>14,855</u>	<u>13,260</u>
Long-term liabilities:										
Long-term debt, net of unamortized debt issuance costs, net of current portion	5,130,245	1,152,057	1,621,101	1,240,208	4,221,046	4,144,783	-	1,877,516	2,473,531	1,643,254
Construction loans payable	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	63,034	-	41,473	259,276	145,071	-	-	-	-
	<u>5,130,245</u>	<u>1,215,091</u>	<u>1,621,101</u>	<u>1,281,681</u>	<u>4,480,322</u>	<u>4,289,854</u>	<u>-</u>	<u>1,877,516</u>	<u>2,473,531</u>	<u>1,643,254</u>
Equity (deficit)	<u>6,357,061</u>	<u>(451,605)</u>	<u>(538,685)</u>	<u>475,729</u>	<u>3,132,331</u>	<u>4,504,212</u>	<u>(30)</u>	<u>9,179,081</u>	<u>6,252,003</u>	<u>7,920</u>
	<u>\$ 11,612,703</u>	<u>\$ 965,825</u>	<u>\$ 1,255,447</u>	<u>\$ 1,817,989</u>	<u>\$ 7,735,348</u>	<u>\$ 8,883,264</u>	<u>\$ 774,720</u>	<u>\$ 11,427,985</u>	<u>\$ 8,766,348</u>	<u>\$ 1,886,637</u>

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**DHIC, Inc. and Subsidiaries**  
**Combining Schedule of Assets, Liabilities and Equity - Housing Entities**  
**December 31, 2016 and Comparative Totals for 2015**

**(Continued)**

	2016			Total	As Adjusted 2015
	Willow Creek Seniors, LLC	Caraleigh Housing Investment Corporation	Community Revitalization and Preservation Corporation		
<b>ASSETS</b>					
Current assets:					
Cash, subsidiary construction	\$ -	\$ -	\$ -	\$ 213,988	\$ 1,574,381
Cash, subsidiary operations	77,246	-	-	2,438,749	2,071,479
Accounts receivable	4,508	-	-	292,024	180,936
Prepaid expenses and deposits	12,344	-	-	354,383	362,443
Total current assets	94,098	-	-	3,299,144	4,189,239
Property and equipment, net of accumulated depreciation of \$52,177,790 in 2016 and \$47,041,632 in 2015	7,029,352	-	-	140,423,850	139,714,262
Other assets:					
Designated cash - security deposits, reserves and escrows	224,861	-	-	10,249,153	9,265,961
Notes receivable - second mortgages, net of current portion	-	101,982	-	101,982	187,365
Notes receivable - affiliates	-	-	1,125,000	1,125,000	-
Deferred costs, net	80,476	-	-	933,001	909,961
	305,337	101,982	1,125,000	12,409,136	10,363,287
	<u>\$ 7,428,787</u>	<u>\$ 101,982</u>	<u>\$ 1,125,000</u>	<u>\$ 156,132,130</u>	<u>\$ 154,266,788</u>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>					
Current liabilities:					
Current portion of long-term debt	\$ 27,748	\$ -	\$ -	\$ 1,433,189	\$ 1,801,176
Accounts payable and accrued liabilities	121,656	-	-	4,822,816	4,692,007
Deferred revenue	624	-	-	103,193	84,723
Accrued interest payable	9,519	-	-	505,270	473,467
Total current liabilities	159,547	-	-	6,864,468	7,051,373
Restricted deposits:					
Tenants' security deposits	33,740	-	-	710,526	666,503
Long-term liabilities:					
Long-term debt, net of unamortized debt issuance costs, net of current portion	3,460,278	-	1,125,000	91,781,241	85,901,365
Construction loans payable	-	-	-	-	4,543,281
Accrued interest payable	8,564	-	-	4,531,165	4,470,190
	3,468,842	-	1,125,000	96,312,406	94,914,836
Equity (deficit)	3,766,658	101,982	-	52,244,730	51,634,076
	<u>\$ 7,428,787</u>	<u>\$ 101,982</u>	<u>\$ 1,125,000</u>	<u>\$ 156,132,130</u>	<u>\$ 154,266,788</u>

See independent auditors' report.



**DHIC, Inc. and Subsidiaries**  
**Combining Schedule of Revenue, Support, and Expenses - Housing Entities**  
**Year Ended December 31, 2016 and Comparative Totals for 2015**

	2016					
	Avonlea, LLC	Bay River Limited Partnership	Beechridge Housing, LLC	Beechridge II, LLC	Booker Park North, LLC	Braebourne Limited Partnership
Revenue:						
Net rental income - apartments	\$ 341,559	\$ 103,453	\$ 293,713	\$ 244,432	\$ -	\$ 1,108,101
Forgiveness of note payable	-	-	-	-	-	-
Other income	6,751	29,945	-	-	-	29,625
Interest income	78	29	102	88	-	1,217
Total revenue	<u>348,388</u>	<u>133,427</u>	<u>293,815</u>	<u>244,520</u>	<u>-</u>	<u>1,138,943</u>
Costs and expenses:						
Salaries and related expenses	41,368	29,390	54,392	58,059	-	165,517
Office supplies and expense	19,406	6,182	20,519	14,650	-	47,365
Rent, utilities and maintenance	111,155	26,729	57,116	50,000	-	246,324
Professional fees	2,270	2,654	-	-	-	3,000
Audit and accounting fees	4,738	4,815	4,777	5,387	-	7,842
Marketing and advertising	44	9	1,486	1,025	-	4,736
Corporate tax, insurance and license fees	14,731	13,437	12,142	27,280	-	119,078
Depreciation and amortization	65,316	34,216	90,087	68,160	-	234,547
Miscellaneous and bank fees	-	-	-	-	-	-
Development expenses	-	-	-	-	-	-
Partnership management fees	52,620	12,561	19,586	20,136	-	51,016
Bad debt expense (recoveries)	518	172	-	51	-	6,339
(Gain) loss on disposal of assets	-	-	-	-	-	-
Interest expense	55,849	4,718	41,663	43,174	-	309,893
Total costs and expenses	<u>368,015</u>	<u>134,883</u>	<u>301,768</u>	<u>287,922</u>	<u>-</u>	<u>1,195,657</u>
Excess (deficiency) of support and revenue over costs and expenses	<u>\$ (19,627)</u>	<u>\$ (1,456)</u>	<u>\$ (7,953)</u>	<u>\$ (43,402)</u>	<u>\$ -</u>	<u>\$ (56,714)</u>

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**DHIC, Inc. and Subsidiaries**  
**Combining Schedule of Revenue, Support, and Expenses - Housing Entities**  
**Year Ended December 31, 2016 and Comparative Totals for 2015**

**(Continued)**

	2016					
	Brookridge Housing, LLC	Camden Glen, LLC	Capital Towers III, LLC	Cardinal Chase Development, LLC	Carlton Place Development, LLC	College Park Collaborative, LLC
Revenue:						
Net rental income - apartments	\$ 212,293	\$ 311,733	\$ -	\$ 322,848	\$ 639,657	\$ 650,254
Forgiveness of note payable	-	-	-	-	-	-
Other income	5,661	8,009	-	4,715	11,246	10,146
Interest income	443	-	-	244	745	1
Total revenue	<u>218,397</u>	<u>319,742</u>	<u>-</u>	<u>327,807</u>	<u>651,648</u>	<u>660,401</u>
Costs and expenses:						
Salaries and related expenses	51,169	41,757	-	47,483	103,924	229,426
Office supplies and expense	13,452	24,903	-	13,840	36,490	57,019
Rent, utilities and maintenance	87,748	61,427	-	98,325	149,479	348,411
Professional fees	-	513	-	19	-	9,482
Audit and accounting fees	5,450	10,500	-	4,850	6,557	-
Marketing and advertising	752	293	-	888	-	9,006
Corporate tax, insurance and license fees	28,109	43,550	-	38,135	96,158	36,337
Depreciation and amortization	162,632	193,044	-	117,859	292,289	392,035
Miscellaneous and bank fees	-	-	-	-	-	-
Development expenses	-	-	-	-	-	-
Partnership management fees	18,816	21,782	-	23,515	46,888	88,320
Bad debt expense (recoveries)	1,990	1,577	-	1,406	(275)	7,800
(Gain) loss on disposal of assets	-	-	-	-	-	-
Interest expense	44,761	82,637	-	65,547	149,932	179,296
Total costs and expenses	<u>414,879</u>	<u>481,983</u>	<u>-</u>	<u>411,867</u>	<u>881,442</u>	<u>1,357,132</u>
Excess (deficiency) of support and revenue over costs and expenses	<u>\$ (196,482)</u>	<u>\$ (162,241)</u>	<u>\$ -</u>	<u>\$ (84,060)</u>	<u>\$ (229,794)</u>	<u>\$ (696,731)</u>

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**DHIC, Inc. and Subsidiaries**  
**Combining Schedule of Revenue, Support, and Expenses - Housing Entities**  
**Year Ended December 31, 2016 and Comparative Totals for 2015**

**(Continued)**

	2016					
	Creston Commons, LLC	Creston Commons II, LLC	Dacian Glen LLC	Greenfield Senior Housing, LLC	Greenfield Workforce Housing, LLC	Highland Seniors Limited Partnership
Revenue:						
Net rental income - apartments	\$ 320,514	\$ 187,862	\$ 395,241	\$ -	\$ -	\$ 455,296
Forgiveness of note payable	-	-	-	-	-	-
Other income	13,252	10,843	7,713	-	-	8,428
Interest income	371	171	390	-	-	51
Total revenue	<u>334,137</u>	<u>198,876</u>	<u>403,344</u>	<u>-</u>	<u>-</u>	<u>463,775</u>
Costs and expenses:						
Salaries and related expenses	37,419	24,348	70,678	-	-	55,205
Office supplies and expense	18,023	10,552	26,119	-	-	36,300
Rent, utilities and maintenance	111,758	73,028	112,089	-	-	122,060
Professional fees	3,905	1,653	15	-	-	-
Audit and accounting fees	4,815	5,810	8,950	-	-	7,050
Marketing and advertising	177	121	285	-	-	3,323
Corporate tax, insurance and license fees	29,828	22,377	38,385	-	-	47,052
Depreciation and amortization	96,446	88,200	296,785	-	-	163,087
Miscellaneous and bank fees	-	-	-	-	20	-
Development expenses	-	-	-	-	-	-
Partnership management fees	38,898	18,676	34,532	-	-	42,980
Bad debt expense (recoveries)	5,396	2,807	8,129	-	-	590
(Gain) loss on disposal of assets	-	-	-	-	-	-
Interest expense	44,826	28,688	112,580	-	-	111,900
Total costs and expenses	<u>391,491</u>	<u>276,260</u>	<u>708,547</u>	<u>-</u>	<u>20</u>	<u>589,547</u>
Excess (deficiency) of support and revenue over costs and expenses	<u>\$ (57,354)</u>	<u>\$ (77,384)</u>	<u>\$ (305,203)</u>	<u>\$ -</u>	<u>\$ (20)</u>	<u>\$ (125,772)</u>

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**DHIC, Inc. and Subsidiaries**  
**Combining Schedule of Revenue, Support, and Expenses - Housing Entities**  
**Year Ended December 31, 2016 and Comparative Totals for 2015**

**(Continued)**

	2016					
	Highland Terrace, LLC	Highland Village Limited Partnership	Jeffries Ridge, LLC	Lennox Chase Development, LLC	MacGregor Housing Limited Partnership	MacGregor Housing Development Corporation
Revenue:						
Net rental income - apartments	\$ 538,994	\$ 347,618	\$ 237,868	\$ 179,657	\$ 248,898	\$ 167,521
Forgiveness of note payable	-	-	-	-	-	-
Other income	30,240	5,125	6,412	5,397	10,930	4,900
Interest income	542	97	194	114	125	1,037
Total revenue	<u>569,776</u>	<u>352,840</u>	<u>244,474</u>	<u>185,168</u>	<u>259,953</u>	<u>173,458</u>
Costs and expenses:						
Salaries and related expenses	99,272	43,035	38,839	40,433	52,426	42,471
Office supplies and expense	59,116	35,611	28,414	10,815	28,031	11,417
Rent, utilities and maintenance	119,482	76,061	46,284	89,917	71,452	49,039
Professional fees	4	-	371	2,773	634	1,928
Audit and accounting fees	7,584	7,600	5,178	4,815	5,100	4,600
Marketing and advertising	910	337	-	1,251	1,712	-
Corporate tax, insurance and license fees	31,963	28,203	13,397	31,183	22,296	9,897
Depreciation and amortization	239,114	128,880	51,178	62,439	99,018	57,851
Miscellaneous and bank fees	-	-	-	-	-	-
Development expenses	-	-	-	-	-	-
Partnership management fees	111,519	44,521	18,507	17,819	64,738	32,549
Bad debt expense (recoveries)	4,400	2,962	436	6,351	-	40
(Gain) loss on disposal of assets	-	-	-	1,441	18,893	-
Interest expense	104,959	64,676	60,829	29,770	3,684	1,792
Total costs and expenses	<u>778,323</u>	<u>431,886</u>	<u>263,433</u>	<u>299,007</u>	<u>367,984</u>	<u>211,584</u>
Excess (deficiency) of support and revenue over costs and expenses	<u>\$ (208,547)</u>	<u>\$ (79,046)</u>	<u>\$ (18,959)</u>	<u>\$ (113,839)</u>	<u>\$ (108,031)</u>	<u>\$ (38,126)</u>

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**DHIC, Inc. and Subsidiaries**  
**Combining Schedule of Revenue, Support, and Expenses - Housing Entities**  
**Year Ended December 31, 2016 and Comparative Totals for 2015**

**(Continued)**

	2016					
	Maplewood Partners, LLC	Meadowcreek Commons, LLC	Murphey School, LLC	Pennington Grove, LLC	Prairie, LLC	Ripley Station Limited Partnership
Revenue:						
Net rental income - apartments	\$ 185,716	\$ 288,370	\$ 473,658	\$ -	\$ 80,466	\$ 354,476
Forgiveness of note payable	-	-	-	-	-	-
Other income	8,783	2,889	7,535	-	30,338	9,084
Interest income	180	21	102	-	81	372
Total revenue	<u>194,679</u>	<u>291,280</u>	<u>481,295</u>	<u>-</u>	<u>110,885</u>	<u>363,932</u>
Costs and expenses:						
Salaries and related expenses	38,921	53,495	28,665	-	-	65,585
Office supplies and expense	24,999	31,846	35,870	-	10,400	25,626
Rent, utilities and maintenance	74,758	87,575	170,012	-	22,244	132,100
Professional fees	-	-	634	-	-	649
Audit and accounting fees	4,750	6,500	6,082	-	5,790	7,278
Marketing and advertising	516	-	7,414	-	-	-
Corporate tax, insurance and license fees	32,088	32,280	13,236	-	13,917	36,988
Depreciation and amortization	120,926	170,867	55,539	-	43,162	71,755
Miscellaneous and bank fees	-	-	-	80	-	-
Development expenses	-	-	-	-	-	-
Partnership management fees	20,046	29,077	82,371	-	9,829	44,820
Bad debt expense (recoveries)	603	-	4,521	-	-	(293)
(Gain) loss on disposal of assets	-	-	-	-	-	11,268
Interest expense	27,104	39,786	111,971	11,121	38,040	64,328
Total costs and expenses	<u>344,711</u>	<u>451,426</u>	<u>516,315</u>	<u>11,201</u>	<u>143,382</u>	<u>460,104</u>
Excess (deficiency) of support and revenue over costs and expenses	<u>\$ (150,032)</u>	<u>\$ (160,146)</u>	<u>\$ (35,020)</u>	<u>\$ (11,201)</u>	<u>\$ (32,497)</u>	<u>\$ (96,172)</u>

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**DHIC, Inc. and Subsidiaries**  
**Combining Schedule of Revenue, Support, and Expenses - Housing Entities**  
**Year Ended December 31, 2016 and Comparative Totals for 2015**

**(Continued)**

	2016					
	ROG Preservation, LLC	Santree Commons Housing, LLC	Sedgebrook, LLC	Tryon Grove Limited Partnership	Wakefield Affordable Housing, LLC	Wakefield Manor, LLC
Revenue:						
Net rental income - apartments	\$ 874,814	\$ 173,598	\$ 263,584	\$ 379,839	\$ 574,638	\$ 617,827
Forgiveness of note payable	-	-	-	-	-	-
Other income	9,048	6,127	4,570	10,171	8,090	7,915
Interest income	915	23	97	85	730	569
Total revenue	<u>884,777</u>	<u>179,748</u>	<u>268,251</u>	<u>390,095</u>	<u>583,458</u>	<u>626,311</u>
Costs and expenses:						
Salaries and related expenses	138,323	37,279	20,013	49,541	82,578	79,889
Office supplies and expense	33,594	9,107	7,670	30,470	33,188	51,732
Rent, utilities and maintenance	181,818	85,654	72,283	64,476	125,742	160,891
Professional fees	6,828	19	1,256	1,127	15	15
Audit and accounting fees	32,304	6,178	4,738	6,050	7,650	7,650
Marketing and advertising	-	463	2,561	267	1,357	199
Corporate tax, insurance and license fees	143,252	6,623	8,788	11,392	66,351	76,549
Depreciation and amortization	336,960	57,043	70,062	74,428	274,176	315,379
Miscellaneous and bank fees	-	-	-	-	-	-
Development expenses	7,466	-	-	-	-	-
Partnership management fees	54,367	16,072	28,824	34,462	60,670	67,453
Bad debt expense (recoveries)	26,646	-	2,561	482	(1,114)	1,699
(Gain) loss on disposal of assets	-	-	-	-	-	3,391
Interest expense	208,349	18,597	34,280	60,392	177,869	146,517
Total costs and expenses	<u>1,169,907</u>	<u>237,035</u>	<u>253,036</u>	<u>333,087</u>	<u>828,482</u>	<u>911,364</u>
Excess (deficiency) of support and revenue over costs and expenses	<u>\$ (285,130)</u>	<u>\$ (57,287)</u>	<u>\$ 15,215</u>	<u>\$ 57,008</u>	<u>\$ (245,024)</u>	<u>\$ (285,053)</u>

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**DHIC, Inc. and Subsidiaries**  
**Combining Schedule of Revenue, Support, and Expenses - Housing Entities**  
**Year Ended December 31, 2016 and Comparative Totals for 2015**

**(Continued)**

	2016					
	Washington Terrace Affordable Housing, LLC	Water Garden Park, LLC	Water Garden Village, LLC	Weston Trace Housing, LLC	Willow Creek Seniors, LLC	Caraleigh Housing Investment Corporation
Revenue:						
Net rental income - apartments	\$ -	\$ 567,829	\$ 403,848	\$ 352,637	\$ 383,062	\$ -
Forgiveness of note payable	-	-	-	-	-	-
Other income	-	14,152	9,723	6,957	2,273	-
Interest income	-	746	103	52	268	4,347
Total revenue	<u>-</u>	<u>582,727</u>	<u>413,674</u>	<u>359,646</u>	<u>385,603</u>	<u>4,347</u>
Costs and expenses:						
Salaries and related expenses	-	94,950	85,634	71,587	44,227	-
Office supplies and expense	-	63,060	29,056	18,210	32,232	-
Rent, utilities and maintenance	-	137,731	92,703	80,628	69,414	-
Professional fees	-	-	60	-	-	-
Audit and accounting fees	-	7,685	7,985	5,050	7,500	-
Marketing and advertising	-	1,493	1,600	2,487	-	-
Corporate tax, insurance and license fees	-	57,119	38,659	11,089	56,359	-
Depreciation and amortization	-	307,086	258,317	84,777	184,510	-
Miscellaneous and bank fees	30	-	-	-	-	-
Development expenses	-	-	-	-	160	-
Partnership management fees	-	46,250	68,616	28,590	22,920	-
Bad debt expense (recoveries)	-	-	(349)	408	627	89,730
(Gain) loss on disposal of assets	-	-	-	6,121	-	-
Interest expense	-	40,977	68,423	57,936	72,139	-
Total costs and expenses	<u>30</u>	<u>756,351</u>	<u>650,704</u>	<u>366,883</u>	<u>490,088</u>	<u>89,730</u>
Excess (deficiency) of support and revenue over costs and expenses	<u>\$ (30)</u>	<u>\$ (173,624)</u>	<u>\$ (237,030)</u>	<u>\$ (7,237)</u>	<u>\$ (104,485)</u>	<u>\$ (85,383)</u>

See independent auditors' report.

**DHIC, Inc. and Subsidiaries**  
**Combining Schedule of Revenue, Support, and Expenses - Housing Entities**  
**Year Ended December 31, 2016 and Comparative Totals for 2015**

**(Continued)**

	<u>2016</u>		
	<u>Community Revitalization and Preservation Corporation</u>	<u>Total</u>	<u>As Adjusted 2015</u>
Revenue:			
Net rental income - apartments	\$ -	\$ 13,281,874	\$ 12,729,037
Forgiveness of note payable	-	-	300,000
Other income	-	346,993	339,933
Interest income	-	14,730	16,284
	<u>-</u>	<u>13,643,597</u>	<u>13,385,254</u>
Total revenue			
Costs and expenses:			
Salaries and related expenses	-	2,217,298	2,134,026
Office supplies and expense	-	955,284	1,019,679
Rent, utilities and maintenance	-	3,665,913	3,434,888
Professional fees	-	39,824	47,841
Audit and accounting fees	-	239,608	198,572
Marketing and advertising	-	44,712	49,715
Corporate tax, insurance and license fees	-	1,308,228	1,089,964
Depreciation and amortization	-	5,358,170	7,320,972
Miscellaneous and bank fees	-	130	-
Development expenses	-	7,626	42,912
Partnership management fees	-	1,394,346	1,328,387
Bad debt expense (recoveries)	-	176,210	102,866
(Gain) loss on disposal of assets	-	41,114	88,533
Interest expense	-	2,719,003	2,598,467
	<u>-</u>	<u>18,167,466</u>	<u>19,456,822</u>
Total costs and expenses			
Excess (deficiency) of support and revenue over costs and expenses	<u>\$ -</u>	<u>\$ (4,523,869)</u>	<u>\$ (6,071,568)</u>

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**DHIC, Inc. and Subsidiaries**  
**Neighborworks America Capital Funds**  
**Year Ended December 31, 2016**

<u>Schedule of Financial Position - December 31, 2016</u>	<u>Capital Fund</u>	<u>CFRAH Fund (Capital Funding for the Rehabilitation of Affordable Housing)</u>
Assets:		
Cash	\$ 1,685,976	\$ -
Notes receivable - affiliates	7,023,436	88,280
Notes receivable - second mortgages	76,286	-
Assets released from restriction	(6,200,000)	-
	<u>\$ 2,585,698</u>	<u>\$ 88,280</u>
Total assets	<u>\$ 2,585,698</u>	<u>\$ 88,280</u>
Net assets	<u>\$ 2,585,698</u>	<u>\$ 88,280</u>

**Statement of Activities - for the Year Ended  
December 31, 2016**

<u>Statement of Activities - for the Year Ended December 31, 2016</u>	<u>Capital Fund</u>	<u>CFRAH Fund</u>
Revenue, grants and other support:		
Capital grants - NeighborWorks America	\$ 350,000	\$ -
Release of NeighborWorks restricted net assets	(600,000)	-
	<u>(250,000)</u>	<u>-</u>
Change in net assets	<u>(250,000)</u>	<u>-</u>
Net assets, beginning of year	<u>2,835,698</u>	<u>88,280</u>
Net assets, end of year	<u>\$ 2,585,698</u>	<u>\$ 88,280</u>

**DHIC, Inc. and Subsidiaries**  
**Neighborworks America Capital Funds**  
**Year Ended December 31, 2015**

<b>Schedule of Financial Position - December 31, 2015</b>	<b>Capital Fund</b>	<b>CFRAH Fund (Capital Funding for the Rehabilitation of Affordable Housing)</b>
Assets:		
Cash	\$ 1,632,150	\$ -
Notes receivable - affiliates	6,723,437	88,280
Notes receivable - second mortgages	80,111	-
Assets released from restriction	(5,600,000)	-
	<u>\$ 2,835,698</u>	<u>\$ 88,280</u>
Total assets	<u>\$ 2,835,698</u>	<u>\$ 88,280</u>
Net assets	<u>\$ 2,835,698</u>	<u>\$ 88,280</u>
<b>Statement of Activities - for the Year Ended December 31, 2015</b>	<b>Capital Fund</b>	<b>CFRAH Fund</b>
Revenue, grants and other support:		
Capital grants - NeighborWorks America	\$ 550,000	\$ -
Release of NeighborWorks restricted net assets	(600,000)	-
	<u>(50,000)</u>	<u>-</u>
Change in net assets	(50,000)	-
Net assets, beginning of year	<u>2,885,698</u>	<u>88,280</u>
Net assets, end of year	<u>\$ 2,835,698</u>	<u>\$ 88,280</u>