

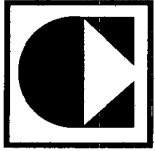
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

COMMUNITY LODGINGS, INC.

June 30, 2015
(with comparative totals for June 30, 2014)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Lodgings, Inc.

We have audited the accompanying financial statements of Community Lodgings, Inc. (a nonprofit organization), which comprise the balance sheet as of June 30, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 not express such an 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 financial statements.

We believe that the audit provides reasonable basis for our opinion.

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Community Lodgings, Inc. as of June 30, 2015, and the changes in its net assets and its functional expenses and cash flows for the year then ended in accordance with accounting standards generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Community Lodgings, Inc.'s June 30, 2014 financial statements, and our report dated October 20, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Douglas Cooney & Associates, P.C.

February 8, 2016

Community Lodgings, Inc.
Consolidated Balance Sheets
June 30, 2015 and 2014

(See Independent Auditor's Report and notes to financial statements)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents		
Cash - operating	\$ 59,033	\$ 12,376
Cash - escrows	8,950	7,162
Cash - CLI Multifamily LP	17,448	18,251
	85,431	37,789
Grants and pledges receivable	38,937	54,735
Other receivables	3,222	3,341
Advance to related entity, CLI Multifamily, LP	2,500	2,500
Rent receivable, CLI Multifamily LP	-	490
Prepaid expenses, CLI Multifamily LP	9,064	7,298
Prepaid expenses	22,040	21,356
Total Current Assets	161,194	127,509
Property and Equipment	4,484,340	4,480,454
Less accumulated depreciation and amortization	(2,691,750)	(2,533,345)
	1,792,590	1,947,109
Other Assets		
Reserve for property replacements	27,358	27,295
Reserve for property replacements, CLI Multifamily LP	26,106	20,852
Escrow held through loan account	3,572	3,572
Escrow held through loan account, CLI Multifamily LP	3,454	5,201
	60,490	56,920
	\$ 2,014,274	\$ 2,131,538
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 30,902	\$ 12,248
Accounts payable and accrued expenses, CLI Multifamily LP	5,768	3,395
Current maturities of long-term debt, CLI Multifamily LP	36,612	62,670
Current maturities of long-term debt	37,259	34,933
Prepaid rent, CLI Multifamily LP	71	56
Security deposits, CLI Multifamily LP	14,858	14,858
Security deposits	8,685	5,860
Total Current Liabilities	134,155	134,020
Long-term debt		
Line of credit	154,300	88,000
Notes payable CLI Multifamily LP, net of current maturities	355,849	392,421
Section 754 adjustment, CLI Multifamily LP	345,298	345,298
Notes payable, net of current maturities	586,762	560,264
	1,442,209	1,385,983
Net Assets		
Minority interest in Limited Partnership	(256)	(259)
Equity in CLI Multifamily LP	(25,386)	(25,688)
Unrestricted	424,615	577,448
Temporarily restricted	38,937	60,034
	437,910	611,535
	\$ 2,014,274	\$ 2,131,538

Community Lodgings, Inc.
Consolidated Statement of Activities
For the year ended June 30, 2015
Comparative Totals for 2014
(See Independent Auditor's Report and notes to financial statements)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Revenue and Other Support:				
Special events	\$ 54,775	\$ -	\$ 54,775	\$ 82,662
Contributions/grants	81,965	387,248	469,213	633,490
Program fees	20,891	-	20,891	31,923
Rent and rental related	643,751	-	643,751	555,958
Miscellaneous income	-	-	-	-
Interest	130	-	130	187
Gain on sale of securities	-	-	-	181
In-kind	307,830	-	307,830	347,028
Net assets released from restrictions:				
Satisfaction of program restrictions	408,345	(408,345)	-	-
	<u>1,517,687</u>	<u>(21,097)</u>	<u>1,496,590</u>	<u>1,651,429</u>
Expenses:				
Transitional Housing	228,817	-	228,817	231,952
Affordable Housing	486,746	-	486,746	455,606
Family Learning Center - Youth & Adult Education	684,601	-	684,601	723,360
Management and general	110,852	-	110,852	110,857
Fundraising	159,504	-	159,504	134,235
	<u>1,670,520</u>	<u>-</u>	<u>1,670,520</u>	<u>1,656,010</u>
Change in net assets	(152,833)	(21,097)	(173,930)	(4,581)
Net Assets, beginning of year	<u>577,448</u>	<u>60,034</u>	<u>637,482</u>	<u>642,063</u>
Net Assets, end of year	<u>\$ 424,615</u>	<u>\$ 38,937</u>	<u>\$ 463,552</u>	<u>\$ 637,482</u>

Community Lodgings, Inc.
Consolidated Statement of Functional Expenses
For the year ended June 30, 2015
Comparative Totals for 2014
(See Independent Auditor's Report and notes to financial statements)

	Program Services				Supporting Services			2014 Total Expenses
	Housing Program		Family Learning Center -		Mangement and General	Fundraising	Supporting Services	
	Transitional	Affordable	Youth & Adult Education	Total Program Services				
Payroll	\$ 78,636	\$ 150,142	\$ 263,927	\$ 492,705	\$ 53,439	\$ 98,186	\$ 151,625	\$ 644,330
Depreciation	29,199	102,151	26,600	157,950	234	221	455	158,405
Rent	-	-	128,284	128,284	-	-	-	128,284
Client support	59,087	-	49,392	108,479	-	-	-	108,479
Tutors/teachers/therapists	11,188	-	89,260	100,448	-	-	-	100,448
Utilities	5,722	63,009	30,653	99,384	309	316	625	100,009
Employee benefits	5,382	19,863	19,341	44,586	11,212	8,281	19,493	64,079
Property taxes	11,510	46,103	-	57,613	-	-	-	57,613
Office expenses/supplies	1,692	4,806	29,483	35,981	14,721	4,576	19,297	55,278
Payroll taxes	6,485	12,142	23,193	41,820	4,007	9,118	13,125	54,945
Insurance	5,397	21,351	18,534	45,282	3,125	2,944	6,069	51,351
Interest	8,807	28,868	-	37,675	6,120	-	6,120	43,795
Fundraising - direct	-	-	-	-	-	30,424	30,424	30,424
Professional fees	180	3,966	485	4,631	14,940	4,593	19,533	24,164
Maintenance/repair/turnover	481	18,774	2,224	21,479	1,151	-	1,151	22,630
Trash	1,434	8,183	-	9,617	-	-	-	9,617
Payroll fees	355	4,519	1,065	5,939	355	355	710	6,649
Field trips/events	3,262	-	2,160	5,422	-	-	-	5,422
Licenses and fees	-	2,869	-	2,869	-	-	-	2,869
Administrative support	-	-	-	-	1,239	490	1,729	1,729
Staff development	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-
Child care	-	-	-	-	-	-	-	-
	\$ 228,817	\$ 486,746	\$ 684,601	\$ 1,400,164	\$ 110,852	\$ 159,504	\$ 270,356	\$ 1,670,520
								\$ 1,656,010

Community Lodgings, Inc.
Consolidated Statements of Cash Flows
For the years ended June 30, 2015 and 2014
(See Independent Auditor's Report and notes to financial statements)

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (173,930)	\$ (4,581)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Gain on sale of securities	-	(181)
Depreciation	158,405	158,206
(Increase) decrease in grants and pledges receivable	15,798	(38,771)
(Increase) decrease in other receivables	609	(981)
(Increase) decrease in prepaid expenses	(2,450)	(9,190)
Increase (decrease) in accounts payable and accrued expenses	21,027	(19,497)
Increase (decrease) in prepaid rent	15	(976)
Increase (decrease) in security deposits	<u>2,825</u>	<u>(350)</u>
Net cash provided (used) by operating activities	22,299	83,679
Cash flows from investing activities:		
Expenditures for other property and equipment	(3,886)	(10,187)
Net change from consolidation	305	(353)
Proceeds from stock sale	<u>-</u>	<u>2,461</u>
Net cash provided (used) by investing activities	(3,581)	(8,079)
Cash flows from financing activities:		
Net distributions from (contributions to) reserves and escrows	(3,570)	4,808
Net borrowings against line of credit	66,300	29,000
Borrowing on long-term debt	60,030	-
Payment on long-term debt	<u>(93,836)</u>	<u>(107,262)</u>
Net cash provided (used) by financing activities	<u>28,924</u>	<u>(73,454)</u>
Net increase (decrease) in cash and cash equivalents	47,642	2,146
Cash, beginning of year	<u>37,789</u>	<u>35,643</u>
Cash, end of year	<u>\$ 85,431</u>	<u>\$ 37,789</u>
Cash paid during the year for:		
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Interest expense	<u>\$ 54,945</u>	<u>\$ 25,396</u>
Summary of non-cash operating transactions:		
In-kind contributions of goods/supplies	\$ 89,628	\$ 87,060
In-kind contributions of professional fees	89,918	146,994
In-kind contribution of rent	128,284	112,974
Supplies/professional fees/rent	<u>(307,830)</u>	<u>(347,028)</u>
Net non-cash operating transactions	<u>\$ -</u>	<u>\$ -</u>

Community Lodgings, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014
(See Independent Auditor's Report)

Note A - Nature of Organization

Community Lodgings, Inc. (CLI) is a non-profit corporation established in 1987 to preserve affordable housing, provide transitional housing for the homeless and help families become self sufficient through counseling and supportive services programs.

CLI is a 99% owner in CLI Multifamily Limited Partnership. As a 99% owner, CLI is required to present consolidated financial statements including the activity of both organizations.

CLI is based in Alexandria, Virginia and maintains several programs to achieve its goals. CLI's programs are as follows:

The *Housing Program* consists of transitional and affordable housing units provided to homeless and low income families. The housing program includes 44 apartments to provide below market rental rates to residents in the City of Alexandria. During the years ended June 30, 2015 and 2014, 6 apartments were designated for housing homeless families coming from homeless shelters in Alexandria. These families pay 30% of their income for a program fee to CLI. The transitional program is a two-year program designed to provide education, counseling, job placement, financial and budget mentoring to stabilize the families so they will be able to move into their own housing when they leave the program.

The Family Learning Center – Youth & Adult Education Program provides educational programs for adults, youth and families living in the neighborhood and in our transitional housing apartments. The youth education program is highly academic, mirroring the curriculums being presented in the local schools. It is designed to create the atmosphere of success for these low income, minority and homeless children and to prevent them from becoming homeless in the future. The adult education component focuses on teaching English and computer literacy skills. In addition, the learning center is open for walk-in assistance for local families. This would include, translating, job/internet search, resume writing, job applications, making phone calls and helping with school information/forms. CLI runs 3 learning centers in the community.

Community Lodgings, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Method of Accounting

CLI's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Consequently, revenues are recognized when earned and expenses are recognized when incurred. The consolidated financial statements include the accounts of CLI Multifamily Limited partnership. All significant intercompany transactions and balances have been eliminated in consolidation.

2. Financial Statement Presentation

CLI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the CLI is required to present a statement of cash flows.

3. Revenue

CLI receives grants and gifts from various sources, including governmental agencies, foundations, charitable organizations, and individuals. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases that net asset class.

CLI receives rent from their residents and program fees from their transitional housing clients. Residents enter into leases that are generally for periods of one year.

4. Recognition of Donor-Restricted Contributions

Support that is restricted by the donor is reported as an increase in temporarily restricted net assets until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

Community Lodgings, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

5. Grants and Pledges Receivable

Grants receivable consists of amounts due from reimbursable grants for costs incurred during the years ended June 30, 2015 and June 13, 2014. The amounts are collectible within one year. CLI considers the amounts collectible and, therefore, has not recorded an allowance for doubtful accounts.

6. Buildings, Building Improvements, and Property

Buildings, building improvements and property are recorded at cost at the date of acquisition. Donations of property and equipment are recorded as support at their estimated fair value at the date of the gift. The assets are depreciated on a straight-line basis over their estimated useful lives.

7. Income Taxes

CLI is exempt from income taxes on all activities directly related to its exempt purpose under the Internal Revenue Service Code Section 501(c)(3). CLI is liable for income taxes on unrelated business income. There was no taxable net unrelated business income for the years ended June 30, 2015 and 2014. Accordingly, no provision for income taxes has been made in these financial statements.

The Organization evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2015 or June 30, 2014. The Organization's 2011 through 2014 tax years are open for examination by federal taxing authorities.

8. Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of CLI.

9. Cash and cash equivalents

For purposes of the statement of cash flows, the CLI considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Community Lodgings, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

10. Use of Estimates

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

Note C – Date of Management's Review

In preparing the financial statements, the CLI has evaluated events and transactions for potential recognition or disclosure through February 8, 2016, the date that the financial statements were available to be issued.

Note D – Fixed Assets

Building, building improvements, and property:

	June 30, 2015	June 30, 2014
Apartment dwellings	\$1,355,233	\$1,355,233
Apartment improvements	2,273,065	2,273,065
Family Learning Center expansion	440,035	440,035
Family Learning Center equipment	11,187	11,187
Office equipment and software	68,510	64,624
Land	<u>336,310</u>	<u>336,310</u>
	4,484,340	4,480,454
Accumulated depreciation	<u>(2,691,750)</u>	<u>(2,533,345)</u>
Net Book Value	<u>\$1,792,590</u>	<u>\$1,947,109</u>

Depreciation expense for the years ended June 30, 2015 and 2013 totaled \$158,405 and \$158,206, respectively.

Note E – In-kind Contributions

CLI received gifts in kind of goods and services and rent valued at \$307,830 for the year ended June 30, 2015. CLI received gifts in kind of goods and services and rent valued at \$347,028 for the year ended June 30, 2014. The value of the goods and services have been recorded as in-kind contributions and expensed based on the contribution to the program supported.

Community Lodgings, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014
(See Independent Auditor's Report)

Note E – In-kind Contributions, continued

Many volunteers have contributed numerous hours to support CLI's programs that do not meet the requirements to be recorded as revenue and expense under SFAS 116.

Note F – Long-term Debt

CLI financed the acquisition and rehabilitation of its properties as follows:

	June 30, 2015	June 30, 2014
City of Alexandria – Original note was amended in 1997. Note bears interest at 3% and is due in monthly installments of \$194.50. Final payment is due on July 12, 2015. The note is secured by a deed of trust on the apartment buildings.	\$ -	\$ 175
Virginia Housing Partnership – Note dated September 1, 1992 with interest only due for the first six months. Note bears interest at 2% and is payable in monthly installments of \$1,297.55 through August 1, 2021. The note is secured by a deed of trust on the apartment buildings.	\$95,970	\$ 109,474
Virginia Housing Partnership – Note dated September 1, 1992 with interest only due for the first six months. Note bears interest at 2% and is payable in monthly installments of \$1,286.47 through January 1, 2022. The note is secured by a deed of trust on the apartment buildings.	\$100,758	\$ 114,036
City of Alexandria – Note is dated January 2009. Note bears interest at 2% and is due in monthly installments of \$445.26 beginning in November 2014. Final payment is due on November 1, 2023. The note is secured by a promissory note to the City from CLI.	\$42,264	\$ 46,512

Community Lodgings, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014
(See Independent Auditor's Report)

Note F – Long-term Debt, continued

City of Alexandria – Note is dated August 2012. Note bears interest at 2% and is due in monthly installments of \$984.18 beginning in October 2014. CLI has not begun monthly payments. Final payment is due on October 1, 2052. The note is secured by a deed of trust on the apartment buildings.

\$338,030 \$ 325,000

City of Alexandria – Advance for gap financing request of \$300,000. The loan bears no interest. The loan has not been finalized as of the date of fieldwork, so repayment terms are not available. The total loan is \$300,000, but \$47,000 has been drawn through June 30, 2015. The note is secured by a deed of trust on 607 Notabene Drive.

\$47,000 \$ -

City of Alexandria – Note is dated January 2001. Note bears interest at 3% and is due in monthly installments of \$2,093.81. Final payment is due in September 2015. The note is secured by a deed of trust on the apartment buildings.

\$ - \$5,510

M & T Bank – Original note was modified in December 2004. Note bears interest at 6.92% and is due in monthly installments of \$2,076.67. Final payment is due in July 2015. The note is secured by a deed of trust on the apartment buildings.

\$2,315 \$26,150

Virginia Housing Partnership – Original note was amended in March 2004. Note bears interest at 3% and is payable in monthly installments of \$3,794.44 through October 2024. The note is secured by a deed of trust on the apartment buildings.

\$390,145 \$ 423,431
\$1,016,482 \$1,050,288
(73,871) (97,603)
\$942,611 \$ 952,685

Less: Current maturities
Long-term debt

Community Lodgings, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014
(See Independent Auditor's Report)

Note F – Long-term Debt, continued

Aggregate maturities of long-term debt subsequent to June 30, 2015, are as follows:

2016	\$73,871
2017	73,353
2018	75,194
2019	77,384
2020	79,024
Thereafter	<u>637,656</u>
	<u>\$ 1,016,482</u>

Note G – Commitments and Contingencies

Line of Credit

CLI maintains an agreement with BB&T Bank for a revolving line of credit in the amount of \$240,000. Interest charged on the line of credit is variable and is equal to the bank's prime rate. The interest rate at June 30, 2015 was 4.25%. The line is secured by CLI's property. As of June 30, 2015, outstanding draws totaled \$154,300. Interest paid during the year ended June 30, 2015 totaled \$5,190. The loan is renewed annually. The interest rate at June 30, 2014 was 4.25%. As of June 30, 2014, outstanding draws totaled \$88,000. Interest paid during the year ended June 30, 2014 totaled \$3,875.

Note H – Retirement Plan

CLI maintains a defined contribution plan covering substantially all full time employees. Participants are fully vested after one year of service. Under the plan, CLI may, at its discretion, make matching contributions as a percentage of employee contributions. Matching contributions for the year ended June 30, 2015 and June 30, 2014 totaled \$7,948 and \$8,071, respectively.

Community Lodgings, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014
(See Independent Auditor's Report)

Note I – Net Assets

Temporarily restricted net assets are available for the following purposes:

	June 30, 2015	June 30, 2014
Grants and pledges receivable	\$38,937	\$54,735
Learning Center equipment	-	2,999
STEM	-	<u>2,300</u>
	<u>\$38,937</u>	<u>\$60,034</u>

Note J – Major Donors

During the year ended June 30, 2015, CLI received approximately 43% of support from rental revenue and 21% of support from in-kind contributions.

During the year ended June 30, 2014, CLI received approximately 37% of support from rental revenue and 21% of support from in-kind contributions.

Note K – Program Fees

Transitional housing clients pay CLI a program fee in lieu of rent. Program fees paid to CLI for the years ended June 30, 2015 and 2014 totaled \$20,191 and \$31,923, respectively.

Note L – Rental Income

Gross potential rent for the year ended June 30, 2015 totaled \$630,197. Rental income of \$585,865 excludes rent subsidies paid by CLI for transitional clients. CLI subsidizes a portion of the rent for transitional clients. The subsidy paid by CLI for the year ended June 30, 2015 totaled \$44,332. Gross potential rent for the year ended June 30, 2014 totaled \$608,397. Rental income of \$555,958 excludes rent subsidies paid by CLI for transitional clients. CLI subsidizes a portion of the rent for transitional clients. The subsidy paid by CLI for the year ended June 30, 2014 totaled \$52,439.