

**Housing for Ohio, Inc.**  
**(a not-for-profit corporation)**

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**Financial Report**  
**June 30, 2016**





# Dave Yost • Auditor of State

Board of Trustees  
Housing for Ohio, Inc.  
10 E. Union Street  
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of Housing for Ohio, Inc., Athens County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Housing for Ohio, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

December 8, 2016

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# Housing for Ohio, Inc.

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## Independent Auditor's Report

To the Board of Trustees  
Housing for Ohio, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Housing for Ohio, Inc. (the "Organization"), a not-for-profit organization, which comprise the statement of financial position as of June 30, 2016 and 2015 and the related statements of activities and changes in net assets and cash flows for the years 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 audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees  
Housing for Ohio, Inc.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing for Ohio, Inc. as of June 30, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2016 on our consideration of the Housing for Ohio, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing for Ohio, Inc.'s internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 3, 2016



# Housing for Ohio, Inc.

## Statement of Financial Position

	June 30	
	2016	2015
<b>Assets</b>		
Cash	\$ 1,318,220	\$ 1,668,095
Accounts receivable	1,594	28,968
Prepaid expenses	130,204	69,837
Property held for sale (Note 10)	17,583,507	-
Property and equipment - Less accumulated depreciation (Note 3)	-	17,959,757
Security deposits held in trust	43,432	48,895
Assets held by trustee (Note 4)	4,946,298	4,156,544
Deferred financing costs - Less accumulated amortization of \$430,531 in 2016 and \$404,374 in 2015 (Note 5)	396,418	422,575
Prepaid lease expense - Less accumulated amortization of \$360,794 in 2016 and \$338,007 in 2015 (Note 6)	550,684	573,471
Total assets	<u>\$ 24,970,357</u>	<u>\$ 24,928,142</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 197,088	\$ 166,071
Deferred rental income	119,111	110,327
Tenant security deposits	19,992	51,308
Loan payable (Note 7)	23,375,000	24,285,000
Total liabilities	23,711,191	24,612,706
<b>Net Assets - Unrestricted</b>	<u>1,259,166</u>	<u>315,436</u>
Total liabilities and net assets	<u>\$ 24,970,357</u>	<u>\$ 24,928,142</u>

# Housing for Ohio, Inc.

## Statement of Activities and Changes in Net Assets

	Year Ended June 30	
	2016	2015
<b>Revenue</b>		
Rental income	\$ 3,276,184	\$ 3,109,080
Other operating income related to rental activity	236,829	212,010
Interest income	42,515	40,941
Total revenue	3,555,528	3,362,031
<b>Program Expenses</b>		
Administrative	169,193	183,960
Advertising and promotion	73,614	29,729
Property management fees	163,976	157,276
Professional fees	39,311	39,836
Payroll and related expenses	272,379	224,777
Maintenance and repairs	166,998	159,276
Utilities	607,331	640,709
Tax and insurance	201,083	174,966
Depreciation	692,229	812,652
Amortization	48,944	48,944
Interest expense	29,516	10,720
Bond fees	147,224	151,100
Total expenses	2,611,798	2,633,945
<b>Increase in Net Assets</b>	943,730	728,086
<b>Net Assets (Deficit) - Beginning of year</b>	315,436	(412,650)
<b>Net Assets - End of year</b>	<u>\$ 1,259,166</u>	<u>\$ 315,436</u>

# Housing for Ohio, Inc.

## Statement of Cash Flows

	Year Ended June 30	
	2016	2015
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 943,730	\$ 728,086
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	741,173	861,596
Changes in assets and liabilities which provided (used) cash:		
Accounts receivable	27,374	(22,129)
Prepaid expenses	(60,367)	(3,428)
Security deposits held in trust	5,463	(4,282)
Accounts payable and accrued liabilities	31,017	(2,930)
Deferred rental income	8,784	2,072
Tenant security deposits	<u>(31,316)</u>	<u>7,910</u>
Net cash provided by operating activities	1,665,858	1,566,895
<b>Cash Flows from Investing Activities</b> - Purchases of property and equipment	(315,979)	(215,956)
<b>Cash Flows from Financing Activities</b>		
Principal payments on note payable and loan payable	(910,000)	(865,000)
Increase in assets held by trustee	<u>(789,754)</u>	<u>(273,510)</u>
Net cash used in financing activities	<u>(1,699,754)</u>	<u>(1,138,510)</u>
<b>Net (Decrease) Increase in Cash</b>	(349,875)	212,429
<b>Cash</b> - Beginning of year	<u>1,668,095</u>	<u>1,455,666</u>
<b>Cash</b> - End of year	<u><b>\$ 1,318,220</b></u>	<u><b>\$ 1,668,095</b></u>
<b>Supplemental Disclosure of Cash Flow Information</b> -		
Cash paid during the year for interest	<u><b>\$ 23,893</b></u>	<u><b>\$ 10,274</b></u>

# Housing for Ohio, Inc.

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## Notes to Financial Statements June 30, 2016 and 2015

### Note 1 - Nature of Entity

Housing for Ohio, Inc. (the "Organization") was organized as a managing corporation on November 18, 1999 under the laws of the State of Ohio for the purpose of acquiring, developing, constructing, and operating a 182-unit (580-bed) student housing facility. As defined in accounting standards, the Organization is considered to be a controlled entity of The Ohio University Foundation (the "Foundation"). The Foundation's purpose is to support Ohio University (the "University"), located in Athens, Ohio, its students, faculty, and staff, and the educational programs designated for its students, potential students, and alumni.

The student housing facility is currently known as University Courtyard Apartments (the "Project") and is located in Athens, Ohio. Construction of the Project began in September 2000 and was substantially complete in October 2001, at which time the Organization began operating and managing the student housing facility through the use of an external property manager.

### Note 2 - Summary of Significant Accounting Policies

**Basis of Presentation** - Accounting standards require that resources be classified into three net asset categories according to donor-imposed restrictions. A description of each category is as follows:

- **Unrestricted Net Assets** - Unrestricted net assets are free of donor-imposed restrictions and include all revenue, expenses, gains, and losses that are not changes in temporarily or permanently restricted net assets.
- **Temporarily Restricted Net Assets** - Temporarily restricted net assets include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds is not permanently restricted.
- **Permanently Restricted Net Assets** - Permanently restricted net assets are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in temporarily restricted funds until appropriated for expenditure in the accompanying statement of activities and changes in net assets.

For the years ended June 30, 2016 and 2015, the Organization's net assets were unrestricted.

# Housing for Ohio, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

### Note 2 - Summary of Significant Accounting Policies (Continued)

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

**Property and Equipment** - Property and equipment additions are stated at cost. Interest incurred during the construction period was capitalized and is part of the historical cost of the student housing facility.

Property and equipment under construction are not depreciated until the assets are placed in service, which occurs once construction is substantially complete. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Estimated useful lives by asset class are as follows:

	<u>Estimated Useful Lives</u>
Student housing facility and improvements	15-40 years
Furnishings and equipment	5-10 years

Deferred financing costs are amortized using the straight-line method over the term of the related debt.

**Property Held for Sale** - Property held for sale is recorded at the lower of cost or market value. At June 30, 2016, the Organization's building and building improvements were for sale on the market. As required by accounting standards, these were classified on the balance sheet as property held for sale.

**Impairment of Long-lived Assets** - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, management evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets or underlying operations. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, no long-lived assets were impaired as of June 30, 2016 or 2015.

### Note 2 - Summary of Significant Accounting Policies (Continued)

**Prepaid Lease Expense** - Prepaid lease amounts are stated at cost. The prepaid lease is amortized over the life of the lease, which is 40 years. See Note 6 for additional detail.

**Recognition of Revenue** - Rental income is recognized on a straight-line basis over the terms of the tenant leases (one year). Rental payments received in advance of the rental income recognition are included in deferred rental income, a liability in the accompanying statement of financial position. Late fees are recognized when tenants fail to submit rental payments under the terms of leases. Late fees and other miscellaneous fees, such as month-to-month leasing agreements, rental of storage facilities, and reservation fees, are included in other operating income related to rental activity in the accompanying statement of activities and changes in net assets.

**Income Taxes** - The Organization has been granted tax-exempt status under Section 501(a)(3) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The Organization had no significant unrelated business taxable income during fiscal years 2016 and 2015; accordingly, no provision or benefit for income taxes has been included in the accompanying financial statements.

**Advertising Costs** - Advertising and promotion costs are expensed as incurred. Advertising and promotion costs totaled approximately \$74,000 and \$30,000 during fiscal years 2016 and 2015, respectively.

**Fair Value of Financial Instruments** - The fair value of financial instruments, including cash, accounts receivable, and accounts payable, approximates carrying values. The fair value of the loan payable approximates the carrying value because of the variable-rate nature of the instrument. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including October 3, 2016, which is the date that the financial statements were issued.

### Note 2 - Summary of Significant Accounting Policies (Continued)

**Upcoming Accounting Pronouncements** - During February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU did not significantly change the accounting requirements for lessors and, accordingly, application of the new lease standard is not expected to have a significant effect on the Foundation's financial statements. The new lease guidance will be effective for the Organization's year ending June 30, 2021.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Foundation's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Organization is currently evaluating the impact this standard will have on the financial statements.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

# Housing for Ohio, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

### Note 3 - Property and Equipment

A summary of property and equipment at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Student housing facility and improvements	\$ -	\$ 27,483,760
Furnishings and equipment	-	1,623,819
Total property and equipment	-	29,107,579
Less accumulated depreciation	-	11,147,822
Net property and equipment	<u>\$ -</u>	<u>\$ 17,959,757</u>

Depreciation expense totaled approximately \$692,000 and \$813,000 during fiscal years 2016 and 2015, respectively.

During 2016, property and equipment totaling approximately \$29,424,000 and accumulated depreciation of approximately \$11,840,000 were transferred to assets held for sale. See Note 10 for additional information.

### Note 4 - Assets Held by Trustee

Assets held by trustee represent cash and cash equivalents that, under the terms of the bond issue trust indenture agreement (the "Trust Indenture"), are restricted for various purposes (see Note 7). These assets are being held with a large financial institution (the "Trustee"). In accordance with the terms of the Trust Indenture and related agreements, the proceeds from the bonds not used to construct the student housing facility and certain equipment and improvements were deposited with the Trustee. The Trustee is then authorized, through direction from the Trust Indenture and in some cases the Organization, to transfer funds out of the revenue funds to other funds as outlined in the Trust Indenture. Funds held by the Trustee consist of interest-bearing cash accounts.



# Housing for Ohio, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

### Note 4 - Assets Held by Trustee (Continued)

At June 30, 2016 and 2015, fund balances held by the Trustee were as follows:

	<u>2016</u>	<u>2015</u>
Reimbursement fund	\$ 87,870	\$ 80,967
Debt service reserve fund	2,426,776	2,424,651
Capitalized fees fund	1,314	1,314
Pledged revenue fund	1,503,030	930,948
Replacement reserve fund	348,177	348,156
Operating reserve fund	370,508	370,508
Sinking fund	208,575	-
Ohio reserve fund	48	-
Total	<u>\$ 4,946,298</u>	<u>\$ 4,156,544</u>

### Note 5 - Deferred Financing Costs

The Organization incurred financing costs as a result of the issuance of debt to fund the Project. At June 30, 2016 and 2015, deferred charges consisted of the following:

	<u>2016</u>	<u>2015</u>
Deferred financing costs	\$ 826,949	\$ 826,949
Less accumulated amortization	<u>430,531</u>	<u>404,374</u>
Total	<u>\$ 396,418</u>	<u>\$ 422,575</u>

Amortization expense associated with deferred charges totaled approximately \$26,000 in 2016 and 2015. Estimated amortization expense for the next five years is approximately \$26,000 per year.

### Note 6 - Prepaid Lease Expenses

The Organization (the “Borrower”) and Ohio University (the “Lessor”) have entered into a ground lease for the term from September 1, 2000 through August 30, 2040 for the land on which the Project was built. As a condition of the ground lease, the Organization purchased the land and transferred the title to that land to the University. The lease is being accounted for as a capital lease and the cost basis for the land is being amortized over the term of the lease. The amount of the original prepaid lease totaled \$911,478 and included the cost of the land. Total amortization expense for the years ended June 30, 2016 and 2015 was approximately \$23,000 for each year. Estimated amortization expense for the next five years is approximately \$23,000 per year.

In addition to the lump-sum lease payment noted above, the Lessor pays an annual amount at least equal to the Local Government Support Payment (LGSP) to the City of Athens pursuant to and as defined in the agreement titled *Local Government Support Payment for University Courtyard Project Between the Lessor and the City of Athens* (the “Agreement”). Related to this agreement, the Organization paid approximately \$68,000 and \$67,000 in fiscal years 2016 and 2015, respectively. The Organization accrued approximately \$73,000 and \$68,000 in fiscal years 2016 and 2015, respectively. These amounts are included in taxes and insurance in the accompanying statement of activities and changes in net assets. The payment made by the Organization in any fiscal year is subject to the timing of the City of Athens invoicing the Lessor.

### Note 7 - Loan Payable

Permanent financing for the Project was provided by funds generated from the sale of tax-exempt bonds (the “Series 2000 Bonds”) issued by Athens County Port Authority (the “Issuer”). Proceeds from the sale of the Series 2000 Bonds were loaned to the Organization with repayment terms sufficient in time and amount to pay all bond service charges when due. The tax-exempt bonds of \$31,985,000 have a final maturity on June 1, 2032, require monthly payments of interest and an annual principal payment on June 1, and bear interest at a variable rate as determined by a remarketing agent. Interest is payable on the first business day of each month beginning October 1, 2000 and ending June 1, 2032. Outstanding principal for the borrowing totaled \$23,375,000 and \$24,285,000 at June 30, 2016 and 2015, respectively.

# Housing for Ohio, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

### Note 7 - Loan Payable (Continued)

The Organization has the ability under certain specified circumstances to select different interest rate options based on short-term and long-term periods, as defined for the Series 2000 Bonds. The average weekly interest rates for fiscal years 2016 and 2015 were 0.13 and 0.04 percent, respectively, and the actual interest rates at June 30, 2016 and 2015 were 0.46 percent and 0.10 percent, respectively.

The Trust Indenture specifies that certain reserves be maintained for as long as any of the principal and interest on the bonds is outstanding and unpaid. During the construction period, there were more than 10 reserve accounts maintained by the Trustee. Currently, there are eight separate reserves, the largest of which is a substantial debt service reserve as required by the Trust Indenture (see Note 4).

Pursuant to the loan documents, the Organization grants to the Trustee first lien security title and a security interest in the real estate, property, and revenue of the Organization. The Organization also assigned to the Trustee its rights under various agreements and contracts. The Series 2000 Bonds may be redeemed at the option of the bondholders under certain circumstances, and the Organization has the option to redeem the Series 2000 Bonds under certain circumstances.

The Issuer and the Trustee agreed that the Organization would have no liability under the various agreements delivered in connection with the issuance of the bonds beyond its interest in the Project. Although the Trustee may bring appropriate action to enforce the various agreements, such as a foreclosure action or an action for specific performance, both the Issuer and the Trustee agreed not to sue for, seek, or demand any deficiency against the Organization in connection with the loan agreements or bond documents.

Maturities of bonds payable at June 30, 2016 are as follows:

2017	\$	960,000
2018		1,010,000
2019		1,065,000
2020		1,125,000
2021		1,185,000
Thereafter		<u>18,030,000</u>
Total	\$	<u>23,375,000</u>

### **Note 7 - Loan Payable (Continued)**

In connection with the issuance of the Series 2000 Bonds, the Organization was required to obtain an irrevocable letter of credit in the amount of \$32,528,745 from a financial institution. The current amount of the letter of credit is reduced in accordance with the amortization schedule and represents the principal balance plus appropriate interest coverage. The Organization is currently in a letter of credit agreement with Barclays Bank PLC. The letter of credit is periodically renewable with an expiration date in mid-October 2017. The letter of credit is subject to an annual fee of either 0.525 percent or 0.425 percent of the outstanding balance on the debt and is determined based upon rating agencies' assessment of the long-term debt of Ohio University. Letter of credit fee expense was approximately \$94,000 and \$97,000 at June 30, 2016 and 2015, respectively, which is included in bond fees in the accompanying statement of activities and changes in net assets.

The Organization is subject to various nonfinancial covenants under certain bond documents. The Trust Indenture contains significant limitations and restrictions on maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverages.

### **Note 8 - Related Party Transactions**

The University pays for certain expenses on behalf of the Organization, and then the Organization reimburses the University. These expenses include cable and internet services and campus transportation services. The amount of these expenses totaled approximately \$194,000 and \$198,000 for fiscal years 2016 and 2015, respectively.

### **Note 9 - Commitments**

The Organization entered into a management agreement with an unrelated management company (the "Manager"), pursuant to which the Manager is responsible for the general management of the Project. The initial term of the agreement expired in September 2006; however, the agreement is automatically renewed annually for an additional year at the option of the Manager unless terminated by the Organization prior to that date in accordance with the agreement.

### Note 9 – Commitments (Continued)

For each month, the management company receives compensation equal to \$8,000 plus 5 percent of project revenue for the month, not to exceed an additional \$8,000. The management company's total compensation is not to exceed \$16,000 monthly. The payment of such property management fees is subject to the maintenance of a required debt service coverage ratio and a required debt service reserve. Property management fees are cumulative in the event that debt service requirements are not met. Property management fees totaled approximately \$164,000 and \$157,000 for fiscal years 2016 and 2015, respectively. The terms of the agreement are subordinate to the bonds and related agreements and any other debt of the Organization.

### Note 10 - Subsequent Event

During the fiscal year, the Organization committed to a plan that will ultimately result in the sale of all of the Organization's assets and eventual dissolution of the Organization itself. In April 2016, The Organization was notified that it was the successful bidder on the ground beneath the improvements already owned by the Organization. That same month, the Organization began marketing the property, including the ground and improvements, for sale.

Before the end of the fiscal year, the Organization paid a deposit on the ground, which is recorded as prepaid expense on the statement of financial position. The ground purchase transaction was closed in September 2016. As a result of this transaction, the ground lease described in Note 6 will be terminated.

As a result of the marketing efforts noted above, the Organization identified several potential buyers and entered into a letter of intent with one potential buyer during June 2016. Based on the purchase offers received on the property, the Organization has not recognized impairment during 2016, as the offer prices have exceeded the carrying value of the property. The Organization is currently in negotiations with the potential buyer with the intent to execute a purchase and sale agreement. Because the Organization expects the sale to be completed within one year, the capital assets of the Organization expected to be sold have been classified as property held for sale on the statement of financial position.

The Organization intends to use the proceeds from the sale to retire the outstanding bonds. Upon dissolution of the Organization, any remaining assets will be distributed to the Foundation.

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Trustees  
Housing for Ohio, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing for Ohio, Inc., (the "Organization"), a not-for-profit corporation, which comprise the statement of financial position as of June 30, 2016 and the related statements of activities and changes in net assets cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 3, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Housing for Ohio, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the Board of Trustees  
Housing for Ohio, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Housing for Ohio, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

October 3, 2016

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# Dave Yost • Auditor of State

**HOUSING FOR OHIO INC**

**ATHENS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 20, 2016**