

DISTINCTIVE HOUSING SOLUTIONS, INC.

FINANCIAL REPORT

JUNE 30, 2016

DISTINCTIVE HOUSING SOLUTIONS, INC.

FINANCIAL REPORT

JUNE 30, 2016

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-12
OTHER REPORTS:	
INDEPENDENT AUDITOR'S 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	13-14
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	15-16
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	17
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	18-19
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	20

# ROBERT BAKER and ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

---

## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of  
Distinctive Housing Solutions, Inc.  
Brunswick, Georgia

### Report on the Financial Statements

We have audited the accompanying financial statements of Distinctive Housing Solutions, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable in 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 judgement, 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Distinctive Housing Solutions, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

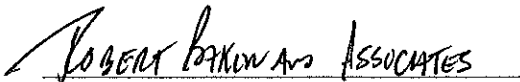
### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by and Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purpose of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, on our consideration of Distinctive Housing Solutions, 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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in consideration of Distinctive Housing Solutions, Inc.'s internal control over financial reporting and on compliance.

ROBERT BAKER and ASSOCIATES



Certified Public Accountants  
Albany, Georgia  
December 19, 2016

DISTINCTIVE HOUSING SOLUTIONS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

CURRENT ASSETS	
Cash in Bank	\$ 513,956
Cash - Restricted	2,500
Accounts Receivable	12,714
Prepaid Insurance	<u>15,197</u>
Total Current Assets	\$ <u>544,367</u>
CAPITAL ASSETS	
Capital Assets, Net of Accumulated Depreciation, Where Applicable Land and Buildings	\$ <u>5,032,155</u>
OTHER ASSETS	
Reserve Deposits	\$ <u>86,641</u>
TOTAL ASSETS	\$ <u>5,663,163</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	\$ 17,772
Due to Gateway Behavioral Health Services	606
Current Portion of Long-Term Debt	<u>207,542</u>
Total Current Liabilities	\$ <u>225,920</u>
NON-CURRENT LIABILITIES	
Notes Payable	\$ 4,605,188
Tenant Security Deposits	<u>2,500</u>
Total Non-Current Liabilities	\$ <u>4,607,688</u>
TOTAL LIABILITIES	\$ <u>4,833,608</u>
NET ASSETS	
Investment in Capital Assets	\$ 219,425
Unrestricted	<u>610,130</u>
Total Net Assets	\$ <u>829,555</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>5,663,163</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

DISTINCTIVE HOUSING SOLUTIONS, INC.

STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2016

	<u>UNRESTRICTED</u>
OPERATING GRANTS AND CONTRIBUTIONS	
Rental Income	\$ 725,806
Other Income	<u>4,459</u>
TOTAL OPERATING GRANTS AND CONTRIBUTIONS	\$ <u>730,265</u>
EXPENSES	
Program Services	\$ 601,210
Support Services	<u>77,499</u>
TOTAL EXPENSES	\$ <u>678,709</u>
CHANGE IN NET ASSETS	\$ 51,556
NET ASSETS - BEGINNING OF YEAR	<u>777,999</u>
NET ASSETS - END OF YEAR	\$ <u>829,555</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

DISTINCTIVE HOUSING SOLUTIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Fiscal Year Ended June 30, 2016

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	
	<u>PROGRAM SERVICES</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>TOTAL</u>
Contracted Services	\$ 108,788	\$ 12,088	\$ 120,876
Depreciation	209,016	23,557	232,573
Insurance	61,750	6,861	68,611
Interest Expense	58,311	6,479	64,790
Other	4,450	-	4,450
Professional Fees	-	25,179	25,179
Repairs and Maintenance	128,298	-	128,298
Telephone	580	-	580
Utilities	<u>30,017</u>	<u>3,335</u>	<u>33,352</u>
Total Expenses	\$ <u>601,210</u>	\$ <u>77,499</u>	\$ <u>678,709</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

DISTINCTIVE HOUSING SOLUTIONS, INC.

STATEMENT OF CASH FLOWS

For The Fiscal Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

CHANGE IN NET ASSETS \$ 51,556

Adjustments to reconcile net income to net cash

    Provided by Operating Activities

Depreciation Expense	232,573
Change in Accounts Receivable	38,765
Change in Prepaid Expenses	20,369
Change in Accounts Payable	2,022
Change in Due to Gateway BHS	( 56,889)

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 288,396

CASH FLOWS FROM FINANCING ACTIVITIES

    Mortgage Principle Payments \$ ( 255,900)

NET CASH USED BY FINANCING ACTIVITIES \$ ( 255,900)

CASH FLOWS FROM INVESTING ACTIVITIES:

    Change in Reserve Deposits \$ ( 9,955)

NET CASH USED BY INVESTING ACTIVITIES \$ ( 9,955)

NET INCREASE/(DECREASE) IN CASH \$ 22,541

CASH - BEGINNING OF THE YEAR 493,915

CASH - END OF THE YEAR \$ 516,456

Notes to Cash Flow Statement

Interest Paid	\$ 64,790
Income Tax Paid	\$ -

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.



DISTINCTIVE HOUSING SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF OPERATIONS

Distinctive Housing Solutions, Inc. (DHS) is a non-profit component unit of Gateway Behavioral Health Services, established for the purpose of improving the quality of life for low-income persons with behavioral health and developmental disabilities by developing and managing affordable housing that promotes individual and economic self-sufficiency.

CHANGE IN FISCAL YEAR

Effective January 1, 2015, Distinctive Housing Solutions, Inc. changed from a calendar year end to a fiscal year end of June 30.

BASIS OF ACCOUNTING

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of June 30, 2016, the Organization had no permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets consist of resources available for the various programs and administration of the Organization which have not been restricted by a donor. Board designated net assets represents amounts established by the Board of Directors and represents unrestricted funds which are set aside for future needs of the Organization. Unrestricted, undesignated net assets are available for the various programs and administration of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of donor restricted contributions. Amounts restricted by the donor for a particular purpose are recognized as revenue when received and such unexpended amounts are reported as temporarily restricted net assets at fiscal yearend. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions". The Organization does not imply a time restriction on gifts of long-lived assets.

Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise stipulated by the donor.

DISTINCTIVE HOUSING SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Permanently Restricted Net Assets

Permanently restricted net assets consist of donor restricted contributions which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations. There are no permanently restricted net assets at June 30, 2016.

CASH AND CASH EQUIVALENTS

The Organization maintains its cash in bank deposit accounts and the balances did not exceed federally insured limits. The Organization considers all highly liquid securities purchased with a maturity date of three months or less to be cash equivalent.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased and at estimated fair value if received as a contribution. Distinctive Housing Solutions, Inc. follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

Buildings and Improvements	15-30 years
----------------------------	-------------

REVENUE RECOGNITION

The Organization has earned revenues and public support. Earned revenues represent fees earned, revenue generated through the performance or provision of services or revenue generated through investment. These revenues are recorded when earned, which occurs when the service is performed or the funds are expended. Public support represents unconditional gifts in a voluntary nonreciprocal transfer. The Organization recognizes all contributed public support received as income in the period pledged.

MANAGEMENT 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

INCOME TAXES

The Organization's activities are generally exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense.

DISTINCTIVE HOUSING SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income tax benefits are recognized for income tax positions taken, or expected to be taken, in a tax return only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows. Accordingly, the Organization has not recorded any tax assets or liabilities, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2016. The Organization would recognize interest and penalties, if any, related to unrecognized tax benefits in interest expense.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualifications of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. There currently are no audits of the Organization's returns in progress. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations for the tax years before 2010.

NOTE 2 - CASH AND DEPOSITS

Total deposits and investments as of June 30, 2016 are summarized as follows:

As reported in the Statement of Financial Position:

Cash and Cash Equivalents	\$	513,956
Cash - Restricted		2,500
Reserve Deposits		<u>86,641</u>
Total	\$	<u>603,097</u>
 Cash deposited with financial institutions	 \$	 <u>603,097</u>

NOTE 3 - CAPITAL ASSETS

Capital Assets for activity for the fiscal year ending June 30, 2016 was as follows:

	Balance <u>June 30, 2015</u>	Increase	Decrease	Balance <u>June 30, 2016</u>
Land and Buildings	\$ 6,810,397	\$ -	\$ -	\$ 6,810,397
Accumulated Depreciation	( <u>1,545,669</u> )	( <u>232,573</u> )	-	( <u>1,778,242</u> )
Capital Assets (Net)	\$ <u>5,264,728</u>	\$ ( <u>232,573</u> )	\$ -	\$ <u>5,032,155</u>

DISTINCTIVE HOUSING SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - RESERVE DEPOSITS

As part of the construction loan agreement with the Georgia Housing and Finance Authority, Distinctive Housing Solutions, Inc. was required to set up reserve accounts with an escrow agent and fund the reserve accounts as indicated:

1. Operating Deficit Reserve - A onetime deposit of \$50,000 was required and deposited on June 1, 2011.
2. Replacement Reserve - Monthly deposits of \$480.00 are required.
3. Insurance/Tax Reserve - Monthly deposits of \$798.67 are required. This amount will be adjusted annually based on actual insurance and property tax costs.

NOTE 5 - NOTES PAYABLE

The following Notes Payable represents mortgages on various buildings owned by Distinctive Housing Solutions, Inc.:

Mortgages:

	<u>CURRENT</u>	<u>LONG-TERM</u>	<u>RATE</u>	<u>MONTHLY PAYMENT</u>	<u>COLLATERAL</u>
BB&T	\$ 180,785	\$ 1,239,569	3.76%	\$ 19,203.89	Real Property
Georgia Housing and Finance Authority	19,257	3,264,369	0.00%	Varies	Real Property
State Housing Trust Fund	<u>7,500</u>	<u>101,250</u>	0.00%	\$ 625.00	Real Property
	<u>\$ 207,542</u>	<u>\$ 4,605,188</u>			

The long-term debt matures as follows:

June 30, 2017	\$ 207,542
2018	213,765
2019	220,919
2020	228,271
2021	236,055
Thereafter	<u>3,706,178</u>
	<u>\$ 4,812,730</u>

Interest paid for FY2016 was \$64,790.

DISTINCTIVE HOUSING SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CONSTRUCTION LOANS

On July 16, 2009, Distinctive Housing Solutions, Inc. (borrower) entered into a financial agreement with the Georgia Housing and Finance Authority (lender) to finance the construction of housing units.

The Georgia Housing and Finance Authority will lend \$3,389,542 or as much of that sum as may be disbursed. Interest will accrue on the outstanding balance from the date of each advance of principle as follows:

Interest and Payment Provisions

- (a) Construction Period. From the date of this Note until the earlier of the Conversion Deadline or the date of an Event of Default, interest shall accrue at the Construction Rate and shall be computed on the daily outstanding principle balance. All accrued interest (if any) shall be due and payable on the Conversion Deadline. Any difference between the outstanding principal amount of this Note on the Conversion Date and the Allowable Conversion Amount (as that term is defined in the Loan Agreement) shall be due and payable on the Conversion Date.
- (b) Interest Payments. If the Loan is not converted to a permanent loan by the Conversion Deadline and if Lender waives such default under the Loan Agreement, from the Conversion Deadline until the Conversion Date, interest shall accrue at the Permanent Rate, and Borrower shall pay such accrued interest to Lender on a monthly basis, the first such interest payment being due on the first day of the first month following the Conversion Deadline and subsequent payments continuing on the first day of each successive month until the payments in subsection 3(c) begin.
- (c) Permanent Loan. From the Conversion Date until the earlier of the Maturity Date or the date of any Event of Default, interest shall accrue at the Permanent Rate. Beginning on the first day of the second month following the Conversion Date, or, if the Conversion Date is on the first of the month, on the first day of the next month, and continuing on the same day of each successive month, Borrower shall make monthly payments as set forth below. Borrower agrees to execute and deliver to Holder such documents as Holder may deem necessary or desirable to reflect and acknowledge the conversion of the Loan and the monthly principal and interest payment amounts due under this Note.

<u>Months</u>	<u>Amount</u>	<u>Months</u>	<u>Amount</u>
1-12	\$ 1,604.79	157-168	\$ 774.17
13-24	\$ 1,564.47	169-180	\$ 677.46
25-36	\$ 1,520.81	181-192	\$ 575.07
37-48	\$ 1,473.64	193-204	\$ 466.79
49-60	\$ 1,422.83	205-216	\$ 352.37
61-72	\$ 1,368.22	217-228	\$ 231.57
73-84	\$ 1,309.65	229-239	\$ 104.15
85-96	\$ 1,246.96		
97-108	\$ 1,179.97		
109-120	\$ 1,108.51		
121-132	\$ 1,032.39		
133-144	\$ 951.43		
145-156	\$ 865.42		

DISTINCTIVE HOUSING SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CONSTRUCTION LOAN - CONTINUED

Balloon Payment. Borrower shall make a final payment of all unpaid principal and accrued and unpaid interest on the Maturity Date (the "Balloon Payment"). The estimated Balloon Payment that will be due at the Maturity Date is \$3,001,547.00, but Borrower acknowledges that this amount is only an estimate, and whatever the actual Balloon Payment may be, Borrower shall be obligated to pay it at the Maturity Date. Notwithstanding the foregoing, however, if the appraised value of the Property at the Maturity Date (the "FMV") is less than the Balloon Payment, Borrower's final payment shall be equal to the FMV, which shall be due and payable on the Maturity Date. If Borrower believes that the FMV will be less than the Balloon Payment, at Borrower's sole cost, it shall obtain an appraisal of the Property as of the Maturity Date, using a qualified, independent appraiser satisfactory to Lender and provide Lender with a copy of such appraisal at least 30 days in advance of the Maturity Date.

As of June 30, 2016, the principle balance of the promissory note is \$3,283,626.

Also due at June 30, 2016, is \$108,750 payable to the State Housing Trust Fund for the Homeless Commission.

The loan conversion conditions were met on September 23, 2011.

NOTE 7 - SECURITY DEPOSITS

Distinctive Housing Solutions, Inc. holds \$2,500 in rental deposits from current tenants for damages incurred during their lease period.

NOTE 8 - RELATED PARTY TRANSACTIONS

Distinctive Housing Solutions, Inc. is under a management agreement with Gateway Behavioral Health Services for accounting services and management of rental properties. Distinctive Housing Solutions, Inc. indebted to Gateway Behavioral Health Services, a related party, in the amount of \$606.

NOTE 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 19, 2016, the date on which the financial statements were available to be issued.

OTHER REPORTS

# ROBERT BAKER and ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S 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*

To The Board of Directors of  
Distinctive Housing Solutions, Inc.  
Brunswick, Georgia

We have audited, in accordance with the auditing standard 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 Distinctive Housing Solutions, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Distinctive Housing Solutions, 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 Distinctive Housing Solutions, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness on the effectiveness of Distinctive Housing Solutions, Inc.'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 entity'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.

### **Compliance and Other Matters**

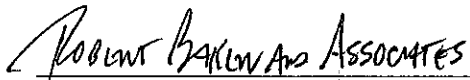
As part of obtaining reasonable assurance about whether Distinctive Housing Solutions, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ROBERT BAKER and ASSOCIATES

Handwritten signature of Robert Baker and Associates in cursive script, underlined.

Certified Public Accountants  
Albany, Georgia  
December 19, 2016

# ROBERT BAKER and ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

---

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To The Board of Directors of  
Distinctive Housing Solutions, Inc.  
Brunswick, Georgia

### Report on Compliance for Each Major Federal Program

We have audited Distinctive Housing Solutions, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Distinctive Housing Solutions, Inc.'s major federal programs for the year ended June 30, 2016. Distinctive Housing Solutions, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Distinctive Housing Solutions, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Distinctive Housing Solutions, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Distinctive Housing Solutions, Inc.'s compliance.

### Opinion on Each Major Federal Program

In our opinion, Distinctive Housing Solutions, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### Report on Internal Control Over Compliance

Management of Distinctive Housing Solutions, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Distinctive Housing Solutions, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on

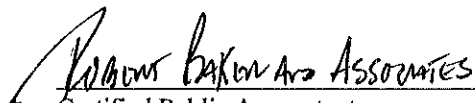
compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Distinctive Housing Solutions, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

ROBERT BAKER and ASSOCIATES

  
\_\_\_\_\_  
Certified Public Accountants  
Albany, Georgia  
December 19, 2016

DISTINCTIVE HOUSING SOLUTIONS, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Fiscal Year Ended June 30, 2016

<u>FEDERAL GRANTOR</u>	<u>CFDA NUMBER</u>	<u>PROGRAM NUMBER</u>	<u>EXPENDITURES</u>
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the Georgia Department of Community Affairs:			
Home Investment Partnerships Program	14.239	N/A	\$ 3,283,626
Passed through Gateway Behavioral Health Services:			
Shelter Plus Care	14.238	N/A	<u>589,356</u>
Total U.S. Department Of Housing And Urban Development			\$ <u>3,872,982</u>

Note to Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The accompanying schedule of federal awards includes the federal grant activity of Distinctive Housing Solutions, Inc. and is presented in the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note B - Construction Loan

The Home Investment Partnerships Program's balance of \$3,283,626 represents loan principal only.

Note C - Indirect Cost Rate

The entity did not elect to use the 10% de minimis indirect cost rate.

DISTINCTIVE HOUSING SOLUTIONS, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified?                     yes                     no

Significant deficiency(ies) identified not  
 considered to be material weaknesses?                     yes                     none reported

Noncompliance material to financial  
 statements noted?                     yes                     no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?                     yes                     no

Significant deficiency condition(s) identified not  
 considered to be material weaknesses?                     yes                     none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are  
 required to be reported in accordance  
 with the Uniform Guidance, Section 200.516?                     yes                     no

Identification of major programs:

<u>CFDA Number (s)</u>	<u>Name of Federal Program of Cluster</u>
14.239	Home Investment Partnerships Program

Dollar threshold used to distinguish  
 between Type A and Type B programs:                    \$750,000

Auditee qualified as low-risk auditee?                     yes                     no

DISTINCTIVE HOUSING SOLUTIONS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For The Fiscal Year Ended June 30, 2016

SIGNIFICANT DEFICIENCIES

Auditor Reference  
Number

-NONE-

DISTINCTIVE HOUSING SOLUTIONS, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For The Fiscal Year Ended June 30, 2016

SIGNIFICANT DEFICIENCIES

Auditor Reference  
Number

-NONE-