

DISTINCTIVE HOUSING SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CONSTRUCTION LOAN

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, 2020, the principle balance of the promissory note is \$3,232,870.

Also due at June 30, 2020, is \$79,375 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.

NOTE 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 2, 2020, 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, 2020, 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 2, 2020.

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 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.

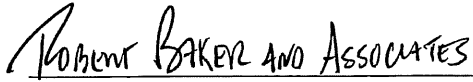
Compliance and Other Matters

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 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.

ROBERT BAKER and ASSOCIATES

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

Certified Public Accountants

Albany, Georgia

December 2, 2020

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, 2020. 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* 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, 2020.

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

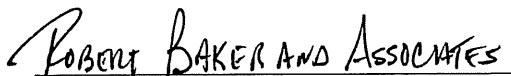
the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal 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 2, 2020

DISTINCTIVE HOUSING SOLUTIONS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2020

<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	\$ 3,232,870
Passed through Gateway Behavioral Health Services:			
Shelter Plus Care	14.238	N/A	<u>313,391</u>
Total U.S. Department Of Housing And Urban Development			\$ <u>3,546,261</u>

Notes to Schedule:

Note A -Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Distinctive Housing Solutions, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Distinctive Housing Solutions, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Distinctive Housing Solutions, Inc.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C - Indirect Cost Rate

Distinctive Housing Solutions, Inc. did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D - Construction Loan

The Home Investment Partnerships Program's balance of \$3,232,870 represents loan principal only.

DISTINCTIVE HOUSING SOLUTIONS, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For The Fiscal Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

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

Noncompliance material to financial
 statements noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

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

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

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

DISTINCTIVE HOUSING SOLUTIONS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For The Fiscal Year Ended June 30, 2020

SIGNIFICANT DEFICIENCIES

Auditor Reference
Number

-NONE-

DISTINCTIVE HOUSING SOLUTIONS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2020

SIGNIFICANT DEFICIENCIES

Auditor Reference
Number

-NONE-