Aurora Housing Corporation

Audited Consolidated Financial Statements
With Supplemental Information
and Single Audit Section
December 31, 2017 and 2016

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Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Aurora Housing Corporation
Aurora, Colorado

Report on Financial Statements
We have audited the accompanying consolidated financial statements of Aurora Housing Corporation, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the consolidated related statements of activities 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Corporation'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 Corporation'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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aurora Housing Corporation as of December 31, 2017 and 2016 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 Matters – Other Information
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also 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 September 4, 2018 on our consideration of the Corporation'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 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 the Corporation's internal control over financial reporting and compliance.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
September 4, 2018

Identification of Lead Auditor

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Consolidated Statements of Financial Position
As of December 31, 2017 and 2016

Assets

	2017	2016
Current Assets		
Cash	$ 494,269	$ 452,924
Investments - unrestricted	1,563,344	1,304,435
Prepaid expenses	44,991	48,092
Total current assets	2,102,604	1,805,451
Capital Assets		
Land	-	29,987
Furniture, equipment and machinery - dwellings	9,267	9,267
Total capital assets	9,267	39,254
Accumulated depreciation	(9,239)	(9,221)
Net capital assets	28	30,033
Other Assets		
Construction in progress	27,577	27,577
Accounts receivable - interest	4,575,823	3,971,213
Development fees receivable	308,873	352,872
Pre-development costs receivable	-	645,323
Due from related entity	96,127	96,127
Notes, loans and mortgages receivable	4,800,760	4,800,760
Total other assets	9,809,160	9,893,872
Total Assets	$ 11,911,792	$ 11,729,356

Consolidated Statements of Financial Position (continued)
As of December 31, 2017 and 2016

Liabilities and Net Assets

	2017	2016
Current Liabilities		
Accounts payable	$ 831	$ 10,025
Accrued wages/payroll taxes payable	-	1,445
Accrued liabilities - other	-	1,368
Total current liabilities	831	12,838
Long-Term Liabilities		
HOME funds payable	1,787,054	1,787,054
Accrued interest payable	2,249,357	1,971,924
Investments in partnerships	464	414
Notes payable	2,200,000	2,200,000
Total long-term liabilities	6,236,875	5,959,392
Total Liabilities	6,237,706	5,972,230
Net Assets (Deficit)		
Unrestricted net assets (deficit)	5,674,086	5,757,126
Total net assets (deficit)	5,674,086	5,757,126
Total Liabilities and Net Assets (Deficit)	$ 11,911,792	$ 11,729,356

Consolidated Statements of Activities
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenue		
Net tenant rental revenue	$ -	$ 3,881
Tenant revenue - other	-	283
Total tenant revenue	-	4,164
Other government grants	60,732	59,491
Other revenue	26,675	19,529
Total Revenue	87,407	83,184
Operating Expenses		
Administrative	194,484	264,796
Tenant services	61,040	49,103
Utilities	-	1,978
Ordinary maintenance & operations	2,288	3,100
Interest expense	277,433	260,802
General expenses	14,230	12,930
Total operating expenses	549,475	592,709
Other Income (Expenses)		
Interest income - notes/dev fees receivable	604,609	571,462
Interest income	9,324	-
Gain (loss) on sale of property	(234,887)	317,571
Depreciation expense	(18)	(18)
Net other income (expenses)	379,028	889,015
Change in Net Assets (Deficit)	(83,040)	379,490
Net Assets (Deficit), Beginning of Year	5,757,126	5,377,636
Net Assets (Deficit), End of Year	$ 5,674,086	$ 5,757,126

Net Assets (Deficit) Reconciliation

	Unrestricted Net Assets	Unrestricted Net Assets
Beginning of Year	$ 5,757,126	$ 5,377,636
Excess of Total Revenue Over Total Expenses	(83,040)	379,490
End of Year	$ 5,674,086	$ 5,757,126

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Cash from tenants and other	$ 96,730	$ 86,127
Cash paid to vendors and other	(280,948)	(358,903)
Net cash flows (used in) provided by operating activities	(184,218)	(272,776)
Cash Flows From Investing Activities		
Unrestricted investments	(258,909)	(1,053,187)
Investments in partnerships	50	46
Development fees receivable	43,999	-
Pre-development costs receivable	363,168	(1,675)
Construction in progress	-	(9,721)
Sale of property	77,255	425,000
Net cash flows (used in) provided by investing activities	225,563	(639,537)
Net Increase (Decrease) in Cash	41,345	(912,313)
Cash, Beginning of Year	452,924	1,365,237
Cash, End of Year	$ 494,269	$ 452,924
Cash - unrestricted	$ 416,035	$ 374,729
Cash - other restricted	78,234	78,195
Total cash	$ 494,269	$ 452,924

See notes to financial statements

Consolidated Statements of Cash Flows (continued)
For the Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of change in net assets (deficit) to net cash (used in) provided by operating activities:		
Change in net assets (deficit)	$ (83,040)	$ 379,490
Adjustment to reconcile change in net assets (deficit) to net cash (used in) provided by operating activities:		
Depreciation	18	18
Loss (gain) on sale of assets	234,887	(317,571)
Changes in assets and liabilities:		
(Increase) decrease in:		
Net receivables	(604,610)	(564,979)
Prepaid assets	3,101	(38,266)
(Decrease) increase in:		
Accounts payable	(9,194)	8,931
Accrued wages/payroll taxes payable	(1,445)	1,445
Deferred revenue	-	(2,040)
Accrued interest payable	277,433	260,802
Tenant security deposits	-	(1,500)
Accrued liabilities - other	(1,368)	1,109
Due to and from related entities	-	(215)
Net cash flows (used in) provided by operating activities	$ (184,218)	$ (272,776)

Notes to Consolidated Financial Statements

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

The Aurora Housing Corporation d/b/a Community Housing Partners – CHP (Corporation) is a 501(c)(3) organization established in 1985 to provide affordable housing to low and moderate-income United States citizens. The Corporation has acquired 90 units of affordable housing from various sources of funds through various ownership structures. The Corporation also provides Rapid Re-housing to homeless families with children through the Community Housing Partners (CHP) program. The CHP program provides case management, affordable housing, and the opportunity for homeless families to make positive changes in their lives. The Corporation also acts in the capacity of developer for creating new affordable units throughout the City of Aurora and the Metropolitan Denver region in accordance with their mission. The Corporation has been designated a Community Housing Development Organization (CHDO) for the City of Aurora, Colorado.

Basis of Accounting and Presentation
The Corporation uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Net Asset Classification
The financial statements have been prepared in accordance with the Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. This Statement requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted, and permanently restricted.

The following classes of net assets are maintained:

> *Unrestricted Net Assets*
> The unrestricted net asset class includes general assets and liabilities of the Corporation. The unrestricted net assets of the Corporation may be used at the discretion of management to support the Corporation's purposes and operations.
>
> *Temporarily Restricted Net Assets*
> The temporarily restricted net assets represent contributions and other inflows whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Corporation pursuant to those stipulations.
>
> *Permanently Restricted Net Assets*
> Permanently restricted net assets represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Corporation.

As of December 31, 2017 and 2016, all of the assets of the Corporation are considered to be unrestricted net assets.

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 revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. As of December 31, 2017 and 2016, cash consists of checking and savings accounts. As of December 31, 2017 and 2016, there were no cash equivalents.

Accounts Receivable
Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible. No allowance for bad debts was established at December 31, 2017 and 2016, as management utilizes the direct write-off method.

Property and Equipment
Property and equipment are recorded at cost. Depreciation is computed using the straight-line method of depreciation. Depreciation is computed over the estimated useful lives of each individual asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income or loss for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Aurora Housing Corporation policy is to capitalize all fixed assets with a unit value of $5,000 or more and an estimated useful life of greater than one year.

Budget
The Corporation prepares an annual operating budget using a GAAP basis.

Accounting for the Impairment or Disposal of Long-Lived Assets
Accounting for the Impairment or Disposal of Long-Lived Assets requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As of December 31, 2017 and 2016, the Corporation does not believe there to be any impairment of assets.

Basis of Accounting
The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Revenue and Cost Recognition
Revenues are recognized when earned and costs are expensed when incurred.

Risks and Uncertainties

The Corporation is subject to various risks and uncertainties in the ordinary course of business that could have adverse impacts on its operating results and financial condition. Future operations could be affected by changes in the economy or other conditions in the geographical area where the property is located or by changes in federal low-income housing subsidies or the demand for such housing.

Note 2 – Fair Market Value of Investments

Cash and investments at December 31, 2017 and 2016 consist of the following:

	2017	2016
Cash - unrestricted	$ 416,035	$ 374,729
Cash - other restricted	78,234	78,195
Subtotal	494,269	452,924
Investments - unrestricted	1,563,344	1,304,435
Total cash and investments	$ 2,057,613	$ 1,757,359

The Corporation's unrestricted investments are allocated as follows:

	Certificates of Deposit		Money Market Funds		Total	
	2017	2016	2017	2016	2017	2016
Public Service Credit Union	$ 255,838	$ 253,189	$ -	$ -	$ 255,838	$ 253,189
Key Bank	203,321	200,063	-	-	203,321	200,063
Credit Union of Denver	250,966	-	-	-	250,966	-
Citywide Banks	-	-	250,555	250,065	250,555	250,065
Bank of the West	-	-	250,846	250,562	250,846	250,562
Westerra Credit Union	-	-	250,932	250,556	250,932	250,556
Wells Fargo	100,886	100,000	-	-	100,886	100,000
Total Unrestricted Investments	$ 811,011	$ 553,252	$ 752,333	$ 751,183	$ 1,563,344	$ 1,304,435

It is the Corporation's practice to hold all investments until maturity to limit the exposure to market change. During the year ended December 31, 2016, certificates of deposit were opened with Key Bank and Wells Fargo, and a money market account was opened with Citywide Banks. During the year ended December 31, 2017, a certificate of deposit was opened with Credit Union of Denver as an unrestricted investment and a certificate of deposit with Key Bank as unrestricted cash.

The Corporation classifies marketable securities as "held to maturity" if it has the positive intent and ability to hold the securities to maturity. All other marketable securities are classified as "available for sale". As of December 31, 2017 and 2016, all of the Corporation's securities are classified as "available for sale." Securities classified as "available for sale" are carried on the financial statements at fair market value. Realized gains and losses are included in earnings; unrealized holding gains and losses are reported as a separate component of the statement of changes in net assets.

The Statement of Financial Accounting Standard, "*Fair Value Measurements*", defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the

Corporation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This standard establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement the entire fair value measurement in the hierarchy.

The Corporation holds an investment portfolio which consists of Level 1 financial instruments. Investments classified as Level 1 all have publicly traded daily values which may be obtained.

Note 3 – Property Investments

The Corporation had the following equity investment in property partnerships at December 31, 2017 and 2016:

	2017	2016
Investment in Tollgate	$ (120)	$ (103)
Investment in Macon & Moline	(344)	(311)
	$ (464)	$ (414)

Note 4 – Property and Equipment

Changes in fixed assets for the years ended December 31, 2017 and 2016 are as follows:

	Balance 12/31/15	Additions	Deletions	Balance 12/31/16	Additions	Deletions	Balance 12/31/17
Land and Buildings	$ 252,938	$ -	$ 222,951	$ 29,987	$ -	$ 29,987	$ -
Equipment	9,267	-	-	9,267	-	-	9,267
Total Fixed Assets	262,205	-	222,951	39,254	-	29,987	9,267
Less: Accum Deprec.	(124,725)	(18)	(115,522)	(9,221)	(18)	-	(9,239)
Net Fixed Assets	$ 137,480	$ (18)	$ 107,429	$ 30,033	$ (18)	$ 29,987	$ 28

Note 5 – Notes Receivable

Notes receivable consist of the following:

Note receivable – Resident at First Avenue, LLLP, payable on September 7, 2036 if not repaid sooner, included interest at 6.90% per annum, compounded annually. The loan is secured by a deed of trust in the property. As of December 31, 2017 and 2016, accrued interest receivable related to this note was $2,427,254 and $2,128,581, respectively.	$ 2,200,000
Note receivable – Plaza Townhomes at Macon & Moline, LLLP payable on November 1, 2038 if not repaid sooner, included interest at 5.00% per annum, compounded annually. The loan is secured by a deed of trust on the property. As of December 31, 2017 and 2016, accrued interest receivable related to this note was $570,426 and $494,957, respectively.	1,000,000
Note receivable – Plaza Townhomes at Macon and Moline, LLLP payable on June 30, 2036 if not repaid sooner, included interest at 6.00% per annum, compounded annually. The loan is secured by a deed of trust in the property. As of December 31, 2017 and 2016, accrued interest receivable related to this note was $357,904 and $314,797, respectively.	400,760
Note receivable – VWC1, LLLP payable on August 1, 2042 if not repaid sooner, included interest at 4.00% per annum, compounded annually. The loan is secured by a deed of trust in the property. As of December 31, 2017 and 2016, accrued interest receivable related to this note was $171,168 and $141,608, respectively.	600,000
Note receivable – Plaza Townhomes at Macon and Moline, LLLP payable on June 30, 2036 if not repaid sooner, included interest at 6.00% per annum, compounded annually. The loan is secured by a deed of trust in the property. As of December 31, 2017 and 2016, accrued interest receivable related to this note was $178,623 and $157,133, respectively.	200,000
Note receivable – Townhomes at Tollgate Creek, LLLP payable on July 19, 2036 if not repaid sooner, included interest at 11.79% per annum, compounded annually. The loan is secured by a deed of trust in the property. As of December 31, 2017 and 2016, accrued interest receivable related to this note was $465,131 and $394,811, respectively.	200,000
Note receivable – Residences at Trolley Park, LLLP payable on June 26, 2036 if not repaid sooner, including interest at 9.125% compounded annually. The loan is secured by a deed of trust in the property. As of December 31, 2017 and 2016, accrued interest receivable related to this note was $319,216 and $275,916, respectively.	200,000
	$ 4,800,760

Total interest receivable related to the notes receivable as of December 31, 2017 and 2016 was $4,489,722 and $3,907,803, respectively.

Note 6 – Development Fees Receivable

As of December 31, 2017 and 2016, development fees receivable were as follows:

	2017	2016
Plaza Townhomes at Macon and Moline	$ 161,536	$ 190,000
Townhomes at Tollgate Creek	147,337	162,872
	$ 308,873	$ 352,872

Total interest receivable related to development fees as of December 31, 2017 and 2016 was $86,101 and $63,410, respectively.

Note 7 – Long-Term Debt

Notes payable consist of the following:

Note payable – Aurora Housing Authority (a related party), loaned $2,800,000 to the Corporation which was subsequently loaned to Residences at First Avenue LLLP. The note payable is due and payable on January 31, 2036, if not repaid sooner. The note bears interest at 6.90% per annum, compounded annually. It is secured by the deed of trust on the property.	$ 2,200,000

Long term debt service payments are due as follows:

2018	$ -
2019	-
2020	-
2021	-
2022	-
Thereafter	2,200,000
	$ 2,200,000

Accrued interest on notes payable as of December 31, 2017 and 2016 was $2,249,357 and $1,971,924, respectively.

Note 8 – HOME Funds Payable

The Corporation has received HOME Funds through the Home Investment Partnership Act Program in the amounts of $992,297, $194,757 and $600,000 in the years 2006, 2010 and 2011, respectively. These funds were used to provide additional affordable housing. These funds will be forgiven after a period of 30-years from date of inception as long as the Corporation maintains compliance with the HOME Investment Partnership Act Program.

Note 9 – Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is recognized in the financial statements. It is exempt from income taxes under the provisions of Section 501(a) of the Code.

In the event the Corporation was to lose its tax exempt status, income tax expense for the tax reporting entity would include federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. No such differences existed as of December 31, 2017 and 2016.

The Corporation adopted the standard for *Accounting for Uncertainty in Income Taxes*. The entity recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit is recorded. Federal and state tax authorities (if applicable) generally have the right to examine and audit the previous three years of tax returns filed.

Note 10 – Commitments and Contingencies

The Corporation participates in a number of federal, state and local programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Corporation may be required to reimburse the grantor government.

Note 11 – Due From Related Entities

The Corporation advanced funds to Plaza Townhomes at Macon and Moline in the amount of $96,127. The repayment of this amount is contingent upon additional equity infusions from the limited partner, available cash flow as permitted within the partnership agreement, and is non-interest bearing. The amount receivable as of December 31, 2017 and 2016 was $96,127 and $96,127, respectively.

Note 12 – Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Corporation through September 4, 2018, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplemental Information

Consolidating Statement of Financial Position
As of December 31, 2017

	AHC Housing Development	AHC Transitional Services	Emergency Shelter Grant	1680 Hanover LLC	H & H Development	Eliminations	Total
Assets							
Current Assets							
Cash	$ 494,269	$ -	$ -	$ -	$ -	$ -	$ 494,269
Investments - unrestricted	1,563,344	-	-	-	-	-	1,563,344
Prepaid expenses	44,991	-	-	-	-	-	44,991
Total current assets	2,102,604	-	-	-	-	-	2,102,604
Capital Assets							
Furniture, equipment and machinery - dwellings	9,267	-	-	-	-	-	9,267
Total capital assets	9,267	-	-	-	-	-	9,267
Accumulated depreciation	(9,239)	-	-	-	-	-	(9,239)
Net capital assets	28	-	-	-	-	-	28
Other Non-Current Assets							
Construction in process	-	-	-	-	27,577	-	27,577
Accounts receivable - interest	4,575,823	-	-	-	-	-	4,575,823
Development fee receivable	308,873	-	-	-	-	-	308,873
Due from related entity	96,127	-	-	-	-	-	96,127
Interfund receivable	30,699	-	-	-	-	(30,699)	-
Notes, loans and mortgages receivable	4,800,760	-	-	-	-	-	4,800,760
Total non-current assets	9,812,282	-	-	-	27,577	(30,699)	9,809,160
Total Assets	$ 11,914,914	$ -	$ -	$ -	$ 27,577	$ (30,699)	$ 11,911,792
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Accounts payable	$ 831	$ -	$ -	$ -	$ -	$ -	$ 831
Total current liabilities	831	-	-	-	-	-	831
Non-Current Liabilities							
HOME funds payable	1,787,054	-	-	-	-	-	1,787,054
Accrued interest payable	2,249,357	-	-	-	-	-	2,249,357
Investments in partnerships	464	-	-	-	-	-	464
Interfund payable	-	-	-	-	30,699	(30,699)	-
Mortgage payable	2,200,000	-	-	-	-	-	2,200,000
Total non-current liabilities	6,236,875	-	-	-	30,699	(30,699)	6,236,875
Total Liabilities	6,237,706	-	-	-	30,699	(30,699)	6,237,706
Net Assets (Deficit)							
Unrestricted net assets (deficit)	5,677,208	-	-	-	(3,122)	-	5,674,086
Total net assets (deficit)	5,677,208	-	-	-	(3,122)	-	5,674,086
Total Liabilities and Net Assets (Deficit)	$ 11,914,914	$ -	$ -	$ -	$ 27,577	$ (30,699)	$ 11,911,792

Consolidating Statement of Activities
For the Year Ended December 31, 2017

	AHC Housing Development	AHC Transitional Services	Emergency Shelter Grant	1680 Hanover LLC	H & H Development	Eliminations	Total
Operating Revenue							
Other government grants	$ -	$ -	$ 60,732	$ -	$ -	$ -	$ 60,732
Other revenue	24,157	2,518	-	-	-	-	26,675
Total operating revenue	24,157	2,518	60,732	-	-	-	87,407
Operating Expenses							
Administrative	129,895	54,198	9,866	525	-	-	194,484
Tenant services	-	20,177	40,863	-	-	-	61,040
Ordinary maintenance & operations	-	-	-	2,288	-	-	2,288
Interest expense	277,433	-	-	-	-	-	277,433
General expenses	14,230	-	-	-	-	-	14,230
Total operating expenses	421,558	74,375	50,729	2,813	-	-	549,475
Other Income (Expenses)							
Interest income - notes/dev fees receivable	604,609	-	-	-	-	-	604,609
Interest income	9,324	-	-	-	-	-	9,324
Gain (loss) on sale of property	-	-	-	(234,887)	-	-	(234,887)
Depreciation expense	(18)	-	-	-	-	-	(18)
Net other income (expenses)	613,915	-	-	(234,887)	-	-	379,028
Change in Net Assets (Deficit)	$ 216,514	$ (71,857)	$ 10,003	$ (237,700)	$ -	$ -	$ (83,040)

Single Audit Section

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Department of Housing and Urban Development:		
HOME Investment Partnership Program	14.239	$ 1,787,054
Total		$ 1,787,054

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Aurora Housing Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of *Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of *Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through identifying numbers are presented where available.

Note 3 – HOME Funds

The Corporation has received HOME Funds through the Investment Partnership Act Program. The funds bear no interest and will be forgiven after a period of 30-years from the date of inception as long as the Corporation maintains compliance with the HOME Investment Partnership Act Program. As of December 31, 2017, the HOME funds balance was $1,787,054.

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*

Board of Directors
Aurora Housing Corporation
Aurora, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Aurora Housing Corporation, which comprise the statement of financial position as of December 31, 2017, and the related statements activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon September 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aurora Housing Corporation'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 Aurora Housing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Aurora Housing Corporation'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Aurora Housing Corporation'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 Aurora Housing Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 Aurora Housing Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Aurora Housing Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
September 4, 2018

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance Required by the *Uniform Guidance*

Board of Directors
Aurora Housing Corporation
Aurora, Colorado

Report on Compliance for Each Major Program
We have audited Aurora Housing Corporation's compliance with the types of compliance requirements described in the *Uniform Guidance,* that could have a direct and material effect on each of Aurora Housing Corporation's major federal programs for the year ended December 31, 2017. Aurora Housing Corporation'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 requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Aurora Housing Corporation'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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Aurora Housing Corporation'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 with each major program. However, our audit does not provide a legal determination of Aurora Housing Corporation's compliance.

Opinion on Each Major Program
In our opinion, Aurora Housing Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified above for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of Aurora Housing Corporation 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 Aurora Housing Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 the Aurora Housing Corporation's internal control over compliance.

A *deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirements 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 the 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*, as defined above. 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 our testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
September 4, 2018

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

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 ☐	No ☒
Significant deficiencies identified?	Yes ☐	No ☒
Noncompliance material to financial statements noted?	Yes ☐	No ☒

Federal Awards
Internal control over major programs:

Material weakness(es) identified?	Yes ☐	No ☒
Significant deficiencies identified?	Yes ☐	No ☒

Type of auditors report issued: Unmodified

Any audit findings disclosed required to be reported in Accordance with the *Uniform Guidance*	Yes ☐	No ☒

Identification of major programs audited

CFDA Number(s)	Name of Federal Program or Cluster
14.239	HOME Investment Partnership Program

Dollar threshold used to distinguish between type A and type B programs		$750,000
Auditee qualified as low-risk auditee?	Yes ☒	No ☐

Section II – Financial Statement Findings
See schedule of findings and questioned costs.

Section III – Federal Award Findings and Questioned Costs
See schedule of findings and questioned costs.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

For the Year Ended December 31, 2017:

There were no findings or questioned costs for the year ended December 31, 2017.

For the Year Ended December 31, 2016:

There were no findings or questioned costs for the year ended December 31, 2016.