Reven Housing REIT, Inc.
Form 10-Q
August 10, 2017

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) Securities Exchange Act of 1934 for Quarterly Period Ended June 30, 2017

-OR-

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transaction period from _________ to ________

Commission File Number 001-37865

Reven Housing REIT, Inc.

(Exact name of Registrant in its charter)

Maryland	84-1306078
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

875 Prospect Street, Suite 304

La Jolla, CA 92037

(Address of principal executive offices)

Registrant's Telephone Number, Including Area Code: (858) 459-4000

Not Applicable
(Former name or former address, if changed since last report)

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerate filer, a small reporting company or an emerging growth company as defined by Rule 12b-2 of the Exchange Act):

Large accelerated filer	¨	Non-accelerated filer	¨
Accelerated filer	¨	Smaller reporting company	x
		Emerging Growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

The number of outstanding shares of the registrant's common stock, as of July 31, 2017: 10,734,025

REVEN HOUSING REIT, INC.

FORM 10-Q

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PART I – FINANCIAL INFORMATION

PART II - OTHER INFORMATION

FORWARD-LOOKING STATEMENTS

Various statements contained in this Quarterly Report on Form 10-Q of Reven Housing REIT, Inc. (the "Company," "we," "our" and "us"), including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, and other non-historical statements. In some cases, you can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "projects," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties, including, among others, risks inherent to the single-family rental industry sector and our business model, macroeconomic factors beyond our control, competition in identifying and acquiring our properties, competition in the leasing market for quality residents, increasing property taxes, homeowners' association ("HOA") and insurance costs, our dependence on third parties for key services, risks related to evaluation of properties, poor resident selection and defaults and non-renewals by our residents, performance of our information technology systems, our ability to raise the capital required to acquire additional properties, and risks related to our indebtedness. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under Part I. Item 1A. "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2016 as such factors may be updated from time to time in our periodic filings with the Securities and Exchange Commission. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in the Annual Report on Form 10-K and in our other periodic filings. The forward-looking statements speak only as of the date made, and we expressly disclaim any obligation or undertaking to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except to the extent otherwise required by law.

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

June 30, 2017 and December 31, 2016

	2017 (unaudited)	2016
ASSETS		
Investments in single-family residential properties:		
Land	$10,414,247	$8,579,550
Buildings and improvements	47,836,495	39,419,038
	58,250,742	47,998,588
Accumulated depreciation	(3,663,462)	(2,853,049)
Investments in single-family residential properties, net	54,587,280	45,145,539
Cash	3,984,296	10,044,977
Rent and other receivables	610,172	246,378
Escrow deposits	-	105,500
Lease origination costs, net	406,439	329,395
Deferred stock issuance costs	331,302	-
Other assets, net	310,559	195,020
Total Assets	$60,230,048	$56,066,809
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$1,258,510	$1,283,235
Resident security deposits	689,567	552,698
Notes payable, net	24,160,034	19,454,377
Total Liabilities	26,108,111	21,290,310

Commitments and contingencies (Note 9)		
Stockholders' Equity		
Preferred stock, $.001 par value; 25,000,000 shares authorized; No shares issued or outstanding	-	-
Common stock, $.001 par value; 100,000,000 shares authorized; 10,734,025 shares issued and outstanding at June 30, 2017 and December 31, 2016	10,734	10,734
Additional paid-in capital	41,677,465	41,677,465
Accumulated deficit	(7,566,262)	(6,911,700)
Total Stockholders' Equity	34,121,937	34,776,499
Total Liabilities and Stockholders' Equity	$60,230,048	$56,066,809

The accompanying notes are an integral part of these consolidated financial statements.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

For the Three and Six Months Ended June 30, 2017 and 2016

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Revenue:				
Rental income	$2,029,504	$1,394,136	$3,770,813	$2,772,899
Expenses:				
Property operating and maintenance	586,070	399,506	1,101,631	800,742
Real estate taxes	370,088	214,929	642,170	428,092
Depreciation and amortization	479,240	313,508	920,965	638,924
General and administration	601,067	479,463	1,302,398	980,486
Acquisition costs	-	-	-	57,863
Total expenses	2,036,465	1,407,406	3,967,164	2,906,107
Operating loss	(6,961)	(13,270)	(196,351)	(133,208)
Other income (expenses):				
Net gain on sale of residential property	36,823	-	75,796	-
Other	(2,109)	94	91,150	309
Interest expense	(317,637)	(257,186)	(625,157)	(515,343)
Total other income (expenses), net	(282,923)	(257,092)	(458,211)	(515,034)
Net loss	$(289,884)	$(270,362)	$(654,562)	$(648,242)
Net loss per share (Basic and fully diluted)	$(0.03)	$(0.04)	$(0.06)	$(0.09)
Weighted average number of common shares outstanding	10,734,025	7,039,405	10,734,025	7,035,533

The accompanying notes are an integral part of these consolidated financial statements.

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REVEN HOUSING REIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the Six Months Ended June 30, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities:		
Net loss	$(654,562)	$(648,242)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	920,965	638,924
Amortization of deferred loan fees	68,119	60,654
Gain on disposal of real estate	(75,796)	-
Changes in operating assets and liabilities:		
Rent and other receivables	(363,794)	1,831
Other assets	(115,539)	(149,144)
Accounts payable and accrued liabilities	(24,725)	90,941
Resident security deposits	136,869	1,333
Net cash used in operating activities	(108,463)	(3,703)
Cash Flows From Investing Activities:		
Acquisitions of single-family residential properties	(10,039,852)	-
Capital improvements for single-family residential properties	(354,414)	(224,805)
Proceeds from disposition of single-family residential property	205,027	-
Lease origination costs	(174,715)	(53,030)
Refunds of escrow deposits	105,500	143,901
Net cash used in investing activities	(10,258,454)	(133,934)
Cash Flows From Financing Activities:		
Proceeds from note payable	5,020,000	-
Payments of notes payable	(258,266)	(957)
Payment of loan fees	(124,196)	-
Payments of deferred stock issuance costs	(331,302)	(121,278)
Net cash provided by (used in) financing activities	4,306,236	(122,235)
Net Decrease In Cash	(6,060,681)	(259,872)
Cash at the Beginning of the Period	10,044,977	2,140,298
Cash at the End of the Period	$3,984,296	$1,880,426
Supplemental Disclosure:		
Cash paid for interest	$543,602	$455,284

The accompanying notes are an integral part of these consolidated financial statements.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2017 and 2016

NOTE 1. ORGANIZATION AND OPERATION

Reven Housing REIT, Inc. is a Maryland corporation (Reven Housing REIT, Inc., which along with its wholly-owned subsidiaries, are also referred to herein collectively as the “Company”) which acquires portfolios of occupied and rented single-family residential properties throughout the United States with the objective of receiving income from rental property activity and future profits from the sale of rental property at appreciated values.

As of June 30, 2017, the Company owned 754 single-family homes in the Houston, Jacksonville, Memphis, Birmingham, and Atlanta metropolitan areas.

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”), as contained within the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”), and the rules and regulations of the Securities Exchange Commission (“SEC”).

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the 2016 Annual Report on Form 10-K filed with the SEC on March 24, 2017. The results of operations for the period ended June 30, 2017 are not necessarily indicative of the operating results for the full year.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Reven Housing REIT OP, L.P., Reven Housing GP, LLC, Reven Housing REIT TRS, LLC, Reven Housing Georgia, LLC, Reven Housing Texas, LLC, Reven Housing Texas 2, LLC, Reven Housing Florida, LLC, Reven Housing Florida 2, LLC, Reven Housing Alabama, LLC and Reven Housing Tennessee, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP 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 balance sheet dates and reported amounts of revenues and expenses for the periods presented. Accordingly, actual results could differ from those estimates.

Financial Instruments

The carrying value of the Company's financial instruments, as reported in the accompanying consolidated balance sheets, approximates fair value due to their short term nature. The Company's short term financial instruments consist of cash, rents and other receivables, escrow deposits, accounts payable and accrued liabilities, and resident security deposits.

The carrying value of the Company's notes payable, as reported in the accompanying consolidated balance sheets, approximates fair value due to the fact that their interest rate, security, and payment terms are similar to other debt instruments currently being issued.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2017 and 2016

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in Single-Family Residential Properties

Prior to January 1, 2017, the Company accounted for its investments in single-family residential properties as business combinations under the guidance of ASC Topic 805, *Business Combinations* ("ASC 805") and these acquisitions were recorded at their estimated fair value. The purchase price was allocated to land, building and the existing leases based upon their fair values at the date of acquisition, with acquisition costs expensed as incurred.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which changed the definition of a business and will now require management to determine whether substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. When this is the case, the transferred assets and activities are not considered to be a business. This determination is important as the accounting treatment for business combinations and asset acquisitions differs since transactions costs are expensed in a business combination and capitalized in an asset acquisition. The guidance is effective for public companies for annual reporting periods beginning after December 15, 2017, and for interim periods within those annual periods, with early adoption permitted. The Company adopted this guidance as of January 1, 2017, on a prospective basis, which results in our leased properties no longer meeting the definition of a business. Based on this guidance, our current 2017 acquisitions are treated as asset acquisitions and are recorded at their purchase price, and the purchase price is allocated between land, building, improvements and existing leases based upon their relative fair values at the date of acquisition. The purchase price for purposes of this allocation is inclusive of acquisition costs which typically include legal fees, title fees, property inspection and valuation fees, as well as other closing costs.

Building improvements and buildings are depreciated over estimated useful lives of approximately 10 to 27.5 years, respectively, using the straight-line method. Lease origination costs are amortized over the average remaining term of the in-place leases which is generally less than one year. Maintenance and repair costs are charged to expenses as incurred.

The Company assesses its investments in single-family residential properties for impairment whenever events or changes in business circumstances indicate that carrying amounts of the assets may not be fully recoverable. When such events occur, management determines whether there has been impairment by comparing the asset's carrying value with its fair value. Should impairment exist, the asset is written down to its estimated fair value. The Company did not recognize any impairment losses for the six months ended June 30, 2017 and 2016.

Cash

The Company maintains its cash at quality financial institutions. The combined account balances at one or more institutions typically exceed the federal insurance coverage and thus there is a concentration of credit risk related to amounts on deposit in excess of available federal insurance coverage. The Company believes that the risk is not significant, as the Company does not anticipate the financial institutions' non-performance.

Rents and Other Receivables

Rents and other receivables represent the amount of rent receivables, security deposits and net rental funds which are held by the property managers on behalf of the Company, net of any allowance for amounts deemed uncollectible. The Company has not recognized any allowance for doubtful accounts as of June 30, 2017 and December 31, 2016.

Escrow Deposits

Escrow deposits include refundable and non-refundable cash and earnest money on deposit with third parties for future property purchases. However, not all of these properties are certain to be acquired because properties may fall out of escrow through the closing process for various reasons. The Company had no outstanding escrow deposits as of June 30, 2017.

Deferred Loan Fees

Costs incurred in the placement of the Company's notes payable are deferred and amortized using the effective interest method over the term of the respective notes as a component of interest expense on the consolidated statements of operations and presented as an offset to notes payable on the consolidated balance sheets.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2017 and 2016

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Stock Issuance Costs

Deferred stock issuance costs represent amounts paid for legal, consulting, and other offering expenses in conjunction with the future raising of additional capital to be completed within one year. These costs are netted against additional paid-in capital as a cost of the stock issuance upon closing of the respective stock placement.

Resident Security Deposits

Resident security deposits represent amounts deposited by tenants at the inception of the lease. As of June 30, 2017 and December 31, 2016, the Company had $689,567 and $552,698, respectively, in resident security deposits. Security deposits are refundable, net of any outstanding charges and fees, upon expiration of the underlying lease.

Revenue Recognition

Residential properties are leased to tenants under short term rental agreements of generally one year and revenue is recognized over the lease term on a straight-line basis.

Reclassifications

The Company has reclassified certain prior period amounts to conform to the current period’s presentation.

Income Taxes

The Company intends to elect to be taxed as a real estate investment trust (“REIT”), as defined in the Internal Revenue Code, commencing for the year ending December 31, 2017. Accordingly, the Company does not expect to be subject to federal income tax, provided that it continues to qualify as a REIT and distributions to the stockholders equal or exceed REIT taxable income.

Qualification and taxation as a REIT depends upon the Company’s ability to meet the various qualification tests imposed under the Internal Revenue Code related to the percentage of income that are earned from specified sources, the percentage of assets that fall within specified categories, the diversity of capital stock ownership, and the percentage of earnings that are distributed. Accordingly, no assurance can be given that the Company will be organized or be able to operate in a manner to qualify or remain qualified as a REIT. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal and state income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates, and the Company may be ineligible to qualify as a REIT for four subsequent tax years. Even if the Company qualifies as a REIT, it may be subject to certain state or local income taxes.

Incentive Compensation Plan

During 2012, the Company established the 2012 Incentive Compensation Plan, which was subsequently amended and restated in December 2013 (“2012 Plan”). The 2012 Plan allows for the grant of options and other awards representing up to 1,650,000 shares of the Company’s common stock. Such awards may be granted to officers, directors, employees, consultants and other persons who provide services to the Company or any related entity. Under the 2012 Plan, options may be granted at an exercise price greater than or equal to the market value at the date of the grant, and for owners of 10% or more of the voting shares, at an exercise price of not less than 110% of the market value. Awards are exercisable over a period of time as determined by a committee designated by the Board of Directors, but in no event, longer than ten years.

A total of 496,359 shares have been issued under the 2012 plan as of June 30, 2017.

Net Loss Per Share

Net loss per share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding. Warrants, stock options, and common stock issuable upon the conversion of the Company's preferred stock (if any) are not included in the computation if the effect would be anti-dilutive and would increase earnings or decrease loss per share. For the six months ended June 30, 2017 and 2016, potentially dilutive securities excluded from the calculations were 263,588 shares issuable upon exercise of outstanding warrants granted in prior years.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2017 and 2016

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, a new lease standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). Under ASU 2016-02, lessor accounting will be substantially similar to the current model, but aligned with certain changes to the lessee model and ASU 2014-09. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The Company’s rental revenue is primarily generated from short-term operating leases. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard is expected to impact the Company’s consolidated financial statements as the Company has an operating office lease arrangement for which it is the lessee. The new standard will be effective for the Company beginning on January 1, 2019, with early adoption permitted. The new standard must be adopted using a modified retrospective transition, requiring application of the new guidance at the beginning of the earliest comparative period presented and provides for certain practical expedients. The Company is currently evaluating the impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. The amendments in this ASU include multiple provisions intended to simplify various aspects of the accounting for share-based payments. The guidance will be effective for annual reporting periods beginning after December 15, 2016, and for interim reporting periods within those annual periods, with early adoption permitted. The adoption of this ASU does not have a material impact on the Company’s consolidated financial statements and the Company has adopted as of January 1, 2017.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows, Classification of Certain Cash Receipts and Cash Payments*, which clarifies how certain cash receipts and cash payments should be presented and classified on the statement of cash flows. The guidance will be effective for annual periods beginning after December 15, 2017 and interim periods within that reporting period. The Company is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows, Restricted Cash*, which requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Thus, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide a definition of restricted cash or restricted cash equivalents. The guidance will be effective for annual periods beginning after December 15, 2017 and interim periods within that reporting period. The Company is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2017 and 2016

NOTE 3. INVESTMENTS IN SINGLE-FAMILY RESIDENTIAL PROPERTIES

The following table summarizes the Company's investments in single-family residential properties. The homes are generally leased to individual tenants under leases with terms of one year or less.

	Number of Homes	Land	Buildings and Improvements	Investments in Single-Family Residential Properties, Gross
Total at December 31, 2016	624	$ 8,579,550	$ 39,419,038	$ 47,998,588
Purchases, improvements, sales during 2017:				
Birmingham, AL	68	1,065,000	4,196,572	5,261,572
Atlanta, GA	38	270,000	2,434,699	2,704,699
Memphis, TN	26	523,250	1,636,666	2,159,916
Houston, TX	-	-	103,428	103,428
Houston, TX (sale)	(1)	(12,645)	(52,091)	(64,736)
Jacksonville, FL	-	-	164,651	164,651
Jacksonville, FL (sale)	(1)	(10,908)	(66,468)	(77,376)
Total at June 30, 2017	754	$ 10,414,247	$ 47,836,495	$ 58,250,742

NOTE 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At June 30, 2017 and December 31, 2016, accounts payable and accrued liabilities consisted of the following:

	2017	2016

Accounts payable	$109,115	$248,456
Real estate taxes payable	685,890	667,811
Accrued compensation, board fees and other	383,601	300,500
Interest payable	79,904	66,468
	$1,258,510	$1,283,235

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REVEN HOUSING REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2017 and 2016

NOTE 5. NOTES PAYABLE

On January 31, 2017, Reven Housing Texas 2, LLC, a wholly-owned subsidiary of the Company, received loan proceeds and issued a promissory note in the principal amount of $5,020,000 to a regional bank secured by 97 of the Company's homes located in Texas. Principal and accrued interest are payable in sixty consecutive monthly installments of $31,759 on the first day of the month until January 31, 2022 when the entire amount of principal and interest remaining unpaid will be payable. Interest accrues and is payable monthly on the loan at the rate equal to four and one-half percent (4.50%) per annum until maturity.

On April 4, 2017, the Company entered into loan modification agreements with the regional bank on the other four notes mentioned in the summary below whereby the interest rate on all four loans was modified from a rate of 1% over the prime rate to a fixed rate of 4.5% per annum. Principal and interest payments will be made monthly based on a 25 year amortization period with the remaining unpaid principal on all four loans due on April 5, 2020. The loans have a prepayment penalty of 2% during the first year and 1% during the following year on amounts paid in excess of the scheduled amortization. The loans are secured by deeds of trust encumbering homes in each specified area.

A summary of the Company's notes payable as of June 30, 2017 and December 31, 2016 is as follows:

	2017	2016
Note		
Reven Housing Texas, LLC	$7,394,100	$7,502,504
Reven Housing Texas 2, LLC	4,968,598	-
Reven Housing Tennessee, LLC	3,873,350	3,908,829
Reven Housing Florida, LLC	3,481,238	3,526,794
Reven Housing Florida 2, LLC	4,858,473	4,875,898
	24,575,759	19,814,025
Less deferred loan fees, net	(415,725)	(359,648)
Notes payable, net	$24,160,034	$19,454,377

Costs incurred in the placement of the Company's debt are deferred and amortized using the effective interest method over the term of the loans as a component of interest expense on the consolidated statements of operations. The amount of unamortized fees are deducted from the remaining principal amount owed on the corresponding notes payable. Unamortized deferred loan costs and fees totaled $415,725 and $359,648 as of June 30, 2017 and December 31, 2016, respectively.

During the three months ended June 30, 2017 and 2016, the Company incurred $317,637 and $257,186, respectively, of interest expense related to the notes payable, which includes $35,502 and $30,327, respectively, of amortization of deferred loan fees. During the six months ended June 30, 2017 and 2016, the Company incurred $625,157 and $515,343, respectively, of interest expense related to the notes payable, which includes $68,119 and $60,654, respectively, of amortization of deferred loan fees.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2017 and 2016

NOTE 6. STOCKHOLDERS' EQUITY AND STOCK COMPENSATION

On October 16, 2014, the Company issued 425,000 shares of the Company's common stock under the 2012 Plan to certain officers and consultants of the Company. The shares issued are subject to restrictions and future vesting conditions based on the Company reaching certain future milestones. During the year ended December 31, 2016, 106,250 of these shares became vested upon the achievement of certain milestones related to our public offering of common stock mentioned above. None of the remaining 318,750 shares were vested as of the date of this report. Compensation expense will be recognized in the applicable future periods on these unvested shares should the applicable milestones be achieved in accordance with the vesting schedule. There is no assurance that these milestones will in fact be achieved and that the shares will in fact vest in the future.

The Company has outstanding warrants that allow holders to purchase up to 263,588 shares at an exercise price of \$4.00 per share. The warrants will expire on September 27, 2018, if not exercised prior to that date.

NOTE 7. INCOME TAXES

The Company intends to elect REIT status effective for the year ended December 31, 2017. The Company will generally not be subject to income taxes assuming it complies with the specific rules applicable to REITs.

NOTE 8. RELATED PARTY TRANSACTIONS

The Company sub-leased office space on a month-to-month basis from Reven Capital, LLC, which is wholly-owned by Chad M. Carpenter, a shareholder of the Company and its Chief Executive Officer, through January 31, 2016. This arrangement was terminated upon the Company relocating its office space and signing a new lease agreement with an unrelated party. Reven Capital, LLC currently subleases office space from the Company on a month to month basis for a monthly rental of $500.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Legal and Regulatory

The Company is subject to potential liability under laws and government regulations and various claims and legal actions arising in the ordinary course of the Company's business. Liabilities are established for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts established for those claims. Based on information currently available, management is not aware of any legal or regulatory claims that would have a material effect on the Company's consolidated financial statements and, therefore, no accrual has been recorded as of the periods ended June 30, 2017 and 2016.

NOTE 10. SUBSEQUENT EVENTS

On August 1, 2017, through a wholly owned subsidiary, the Company received loan proceeds and issued a promissory note in the principal amount of $1,793,633 to a regional bank secured by the Company's homes located in Georgia. Interest accrues at a fixed rate of 4.5% and monthly principal and interest payments will be made based on a 25-year amortization period with the remaining unpaid principal due July 5, 2020.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the information appearing elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2016. This discussion and analysis contains forward-looking statements based upon our current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set further under Part I. Item 1A. "Risk Factors" in our most recent Annual Report on Form 10-K as uupdated by our other periodic reporting.

Overview

We are an internally managed Maryland corporation that engages in the acquisition, ownership and operation of portfolios of leased single family homes in the United States. We operate our portfolio properties as single family rentals, or SFRs, and we generate most of our revenue from rental income from the existing tenants of the SFRs we have acquired. We intend to elect to be taxed as a real estate investment trust, or REIT, for federal income tax purposes commencing with our taxable year ended December 31, 2017.

As of June 30, 2017, we have invested an aggregate of approximately $58.3 million and own a total of 754 homes, of which 264 homes are in the Houston, Texas metropolitan area, 255 homes are in the Jacksonville, Florida metropolitan area, 120 homes are in the Memphis, Tennessee metropolitan area (with two of the Memphis homes located just across the border in Mississippi), 68 homes are in the Birmingham, Alabama metropolitan area, and 47 homes are in the Atlanta, Georgia metropolitan area.

We intend to expand our acquisitions to other select markets in the United States that fit our investment criteria as we continue to evaluate new investment opportunities in different markets. As of June 30, 2017, our portfolio properties were 97.5% occupied. All of our portfolio properties have been acquired from available cash and with the proceeds from our secured loan transactions with banks pursuant to which we had an outstanding principal amount owed of $24,575,759 as of June 30, 2017. Our loan transactions are secured by first priority liens and related rents on specific portfolios of our homes.

Our principal objective is to generate cash flow and distribute resulting profits to our stockholders in the form of distributions, while gaining home price appreciation, or HPA, at the same time through the ownership of our portfolio properties. With this objective in mind, we have developed our primary business strategy of acquiring portfolios of leased SFRs. We believe the execution of this strategy will allow us to generate immediate and steady cash flow from the rental income from the SFRs that we acquire while potentially gaining significant HPA over time. While our goal is to grow our company and generate available cash flow from the rental income of our SFRs that will allow us to pay all of our operating costs for the operation of our portfolio properties and distribute profits to our stockholders in the form of quarterly dividends, there can be no assurance we will be able to do so.

We plan to continue to acquire and manage single-family homes with a focus on long term earnings growth and appreciation in asset value. Our ability to identify and acquire single-family properties that meet our investment criteria will be affected by home prices in our markets, the inventory of properties available through our acquisition channels, competition for our target assets, our capital available for investment, and the cost of that capital. We believe the housing market environment in our markets remains attractive for single-family property acquisitions and rentals. Pricing for housing in certain markets remains attractive and demand for housing is growing. At the same time, we continue to face relatively steady competition for new properties and residents from local operators and institutional managers. Housing prices across our markets have appreciated over the past year. Despite these gains, we believe housing in certain of our markets continues to provide attractive acquisition opportunities and remains inexpensive relative to replacement cost and affordability metrics.

We anticipate continued strong rental demand for single-family homes. While new building activity has begun to increase, it remains below historical averages and we believe substantial under-investment in residential housing over the past years will create upward pressure on home prices and rents as demand exceeds supply.

Property Portfolio

The following tables represent our investment in the homes as of June 30, 2017:

Total Portfolio of Single-Family Homes — Summary Statistics
(as of June 30, 2017)

Market	No. of Homes	Aggregate Investment	Average Investment per Home	Properties Leased	Properties Vacant	Portfolio Occupancy Rate		Average Age (years)	Average Size (sq. ft.)	Average Monthly Rent	Average Remaining Lease Term (Months)
Atlanta, Georgia	47	$3,373,167	$71,770	47	0	100.0	%	29	1,453	$883	2.2
Birmingham, Alabama	68	5,261,572	77,376	68	0	100.0	%	48	1,297	877	6.7
Houston, Texas	264	22,281,526	84,400	260	4	98.5	%	48	1,453	1,094	5.6
Jacksonville, Florida	255	17,790,733	69,768	242	13	94.9	%	54	1,289	897	6.5
Memphis, Tennesee	120	9,543,744	79,531	118	2	98.3	%	43	1,675	987	10.5
Totals	754	$58,250,742	$77,256	735	19	97.5	%	48	1,419	$978	6.6

Results of Operations

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

The following table sets forth a comparison of the results of operations for the three months ended June 30, 2017 and 2016:

$	%

	2017	2016	Change	Change
Revenue:				
Rental income	$2,029,504	$1,394,136	$635,368	45.6 %
Expenses:				
Property operating and maintenance	586,070	399,506	186,564	46.7 %
Real estate taxes	370,088	214,929	155,159	72.2 %
Depreciation and amortization	479,240	313,508	165,732	52.9 %
General and administration	601,067	479,463	121,604	25.4 %
Total expenses	2,036,465	1,407,406	629,059	44.7 %
Operating loss	(6,961)	(13,270)	6,309	-47.5 %
Other income (expenses):				
Net gain on sale of residential properties	36,823	-	36,823	-
Other income	(2,109)	94	(2,203)	-
Interest expense	(317,637)	(257,186)	(60,451)	23.5 %
Total other income (expenses), net	(282,923)	(257,092)	(25,831)	10.0 %
Net loss	$(289,884)	$(270,362)	$(19,522)	7.2 %

For the three months ended June 30, 2017, we had total rental income of $2,029,504 compared to total rental income of $1,394,136 for the three months ended June 30, 2016. The increase is due primarily to an increase in the number of homes owned during the 2017 period when compared to the number of homes owned during the three months ended June 30, 2016. As of June 30, 2017, we owned 754 homes, and at June 30, 2016 we owned 527 homes.

As of June 30, 2017, 735, or approximately 97.5%, of our 754 homes were occupied. During the three months ended June 30, 2017, we had 43 home leases turnover, which represented approximately 5.7% of our end of the quarter portfolio. As of June 30, 2016, 487, or approximately 92.4%, of our 527 homes were occupied. During the quarter ended June 30, 2016, we had 40 home leases turnover, which represented approximately 7.6% of our end of the quarter portfolio.

For the three months ended June 30, 2017, we had property operating and maintenance expenses of $586,070 compared to $399,506 for the corresponding prior year period. Property operating and maintenance expenses consist of insurance, property management fees paid to third parties, repairs and maintenance costs, home owner association fees, and other miscellaneous property costs. Real estate taxes for the three months ended June 30, 2017 were $370,088 compared to $214,929 for the three months ended June 30, 2016. The increase in property operating, maintenance expenses from 2016 to 2017 reflects the corresponding increase in our inventory of single family homes. The increase in real estate taxes from 2016 to 2017 is based on an increase in our inventory of single family homes and an increase in our provision for 2017 real estate taxes due to preliminary indications of tax assessment values increases in excess of our historical annual increases. These increases our due to strong market value increases for many of our homes since our initial purchase. We had net operating income from rentals of $1,073,346 for the three months ended June 30, 2017 compared to net operating income from rentals of $779,701 in the corresponding prior year period. This resulted in a net operating income margin of approximately 52.9% in 2017 compared to a net operating income margin of 55.9% in 2016. The margin percentage decrease is due primarily to the increase in real estate taxes as a percentage of total income.

Depreciation and amortization on our home investments increased to $479,240 for the three months ended June 30, 2017 compared to $313,508 in 2016, reflecting the corresponding increase in our inventory of single family homes.

General and administrative expenses for the three months ended June 30, 2017 totaled $601,067 compared to general and administrative expenses of $479,463 for the corresponding prior year period. General and administrative expenses consist of personnel costs, outside director fees, occupancy fees, public company filing fees, legal, accounting, and other general expenses. The increase in our general and administrative expenses is due primarily to an increase in legal, accounting, and miscellaneous travel and promotional expense in 2017 when compared to 2016, due to an increase in acquisition and promotional activities in the current period.

The above results in total expenses of $2,036,465 for the three months ended June 30, 2017 resulting in an operating loss for the three months ended June 30, 2017 of $6,961, compared to total expenses of $1,407,406 for the three months ended June 30, 2016 and a corresponding operating loss of $13,270 for the three months ended June 30, 2016.

We sold one residential property during the three months ended June 30, 2017 for a gain of $36,823. There were no corresponding sales during the three months ended June 30, 2016. Other expense was $2,109 for the three months ended June 30, 2017 as compared to other income of $94 for the three months ended June 30, 2016. Interest expense on our notes payable was $317,637 for the three months ended June 30, 2017 compared to $257,186 for the three months ended June 30, 2016. The increase is primarily due to higher note payable balances for the three months ended June 30, 2017 when compared to the corresponding period in 2016. This resulted in net other expense of $282,923 for the three months ended June 30, 2017 compared to a net other expense of $270,362 for the three months ended June 30, 2016.

Net loss for the three months ended June 30, 2017 was $289,884. The net loss for the three months ended June 30, 2016 was $270,362. The weighted average number of shares outstanding for the three months ended June 30, 2017 increased to 10,737,025 from 7,039,405 for the three months ended June 30, 2016 resulting in a net loss per share of $0.03 for the three months ended June 30, 2017 and a net loss per share of $0.04 for the three months ended June 30, 2016. The increase in weighted average number of shares outstanding was due to the completion of our public offering during 2016.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

The following table sets forth a comparison of the results of operations for the six months ended June 30, 2017 and 2016:

	2017	2016	$ Change	% Change
Revenue:				
Rental income	$3,770,813	$2,772,899	$997,914	36.0 %
Expenses:				
Property operating and maintenance	1,101,631	800,742	300,889	37.6 %
Real estate taxes	642,170	428,092	214,078	50.0 %
Depreciation and amortization	920,965	638,924	282,041	44.1 %
General and administration	1,302,398	980,486	321,912	32.8 %
Acquisition costs	-	57,863	(57,863)	-100.0 %
Total expenses	3,967,164	2,906,107	1,061,057	36.5 %
Operating loss	(196,351)	(133,208)	(63,143)	47.4 %
Other income (expenses):				
Net gain on sale of residential properties	75,796	-	75,796	-
Other income	91,150	309	90,841	-
Interest expense	(625,157)	(515,343)	(109,814)	21.3 %
Total other income (expenses), net	(458,211)	(515,034)	56,823	-11.0 %
Net loss	$(654,562)	$(648,242)	$(6,320)	1.0 %

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For the six months ended June 30, 2017, we had total rental income of $3,770,813 compared to total rental income of $2,772,899 for the six months ended June 30, 2016. The increase in total rental and other income is due primarily to the increase in rental homes owned for the 2017 time period as compared to 2016.

For the six months ended June 30, 2017, we had property operating and maintenance expenses of $1,101,631 compared to $800,742 for the six months ended June 30, 2016. Real estate taxes for the six months ended June 30, 2017 were $642,170 compared to $428,092 for the six months ended June 30, 2016. The increase in real estate taxes from 2016 to 2017 is due to a corresponding increase in our inventory of single family homes, and increase in tax assessments due to fair market value increases in our homes when compared to historical tax assessments.

We had net operating income from rentals of $2,027,012 for the first six months of 2017 compared to net operating income from rentals of $1,544,065 in the corresponding prior year's period. The increase in net operating income is due primarily to the increase in rental homes owned during the current 2016 period. This results in a net operating income margin of approximately 53.8% in 2017 compared to a net operating income margin of 55.7% in 2016.

Depreciation and amortization increased to $920,965 during the six months ended June 30, 2017 compared to $638,924 during the six months ended June 30, 2016, reflecting the corresponding increase in our inventory of single family homes.

General and administrative expenses for the six months ended June 30, 2017 totaled $1,302,398 compared to general and administrative expenses of $980,486 for the prior year period. The increase in our general and administrative expenses is due primarily to an increase in legal, accounting, and miscellaneous travel and promotional expense in 2017 when compared to 2016, due to an increase in acquisition and promotional activities in the current period.

Real estate acquisition costs for the six months ended June 30, 2016 totaled $57,863. Due to new accounting guidance, our purchase of portfolios of rented single family homes are now considered to be asset purchases, thus corresponding acquisition costs will now be capitalized as part of our purchase price of the single family residential properties acquired. Thus, there were no real estate acquisition costs expensed for the six months ended June 30, 2017. Real estate acquisition costs consist primarily of closing costs, due diligence costs and reports, and legal and accounting fees relating to our acquisitions of single family homes.

We sold two residential properties during the six months ended June 30, 2017 for a gain of $75,796. There were no corresponding sales during the six months ended June 30, 2016. Other income was $91,150 for the six months ended June 30, 2017 and included a casualty gain of $82,987, as compared to other income of $309 for the six months ended June 30, 2016. Interest expense on our notes payable was $625,157 for the six months ended June 30, 2017 compared to $515,343 for the six months ended June 30, 2016. The increase is primarily due to higher note payable balances for the six months ended June 30, 2017 when compared to the corresponding period in 2016. This resulted in net other expense of $458,211 for the six months ended June 30, 2017 compared to a net other expense of $515,034 for the six months ended June 30, 2016.

Net loss for the six months ended June 30, 2017 was $654,562. The net loss for the six months ended June 30, 2016 was $648,242. The weighted average number of shares outstanding for the six months ended June 30, 2017 increased to 10,734,025 from 7,035,533 for the six months ended June 30, 2016, resulting in a net loss per share of $0.06 for the six months ended June 30, 2017 and a net loss per share of $0.09 for the six months ended June 30, 2016.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, fund and maintain our assets and operations, make interest payments and fund other general business needs. Our liquidity, to a certain extent, is subject to general economic, financial, competitive and other factors that are beyond our control. Our near-term liquidity requirements consist primarily of acquiring properties, funding our operations, and making interest payments.

Our liquidity and capital resources as of June 30, 2017 consisted primarily of cash of $3,984,296. We believe our current liquidity and the expected cash flows from operations will be sufficient to fund the present level of our operations through June 30, 2018. However, our future acquisition activity will depend primarily on our ability to raise funds from the further issuance of shares of our common stock or units of our operating partnership combined with new loan transactions secured by our current and future home inventories. In order to purchase additional single family homes, we intend to opportunistically utilize the capital markets to raise additional capital, including through the issuance of debt and equity securities, but there can be no assurance that we will be able to access adequate liquidity sources on favorable terms, or at all.

Credit Facilities

On January 31, 2017, we borrowed $5,020,000 from a regional bank pursuant to our issuance of a promissory note secured by deeds of trust in the principal amount of $5,020,000. Principal and accrued interest are payable in 60 consecutive monthly installments of $31,759 on the first day of the month until January 31, 2022 when the entire amount of principal and interest remaining unpaid will be payable. Interest accrues and is payable monthly on the loan at the rate equal to four and one-half percent (4.50%) per annum until maturity. The loan is secured by first priority liens on 97 homes in the Houston, Texas metropolitan area. The note and the deeds of trust contain customary terms and conditions, including, without limitation, customary events of default and acceleration upon default, including defaults in the payment of principal or interest, defaults in compliance with the covenants and bankruptcy or other insolvency events.

On April 4, 2017, we entered into loan modification agreements where we modified the interest rate and amended the maturity period on our loans with another regional bank with a total current outstanding principal amount due of approximately $19,720,000. The modified loan agreement provides that monthly interest and principal payments will be made based on a fixed interest rate of 4.5% and an amortization period of 25 years. All unpaid principal will be due on April 5, 2020. The other terms remain generally unchanged. These loans are secured by first priority liens and related rents on our properties.

On August 1, 2017, we received loan proceeds and issued a promissory note in the principal amount of $1,793,633 to a regional bank secured by our homes located in Georgia. Interest accrues at a fixed rate of 4.5% and monthly principal and interest payments will be made based on a 25-year amortization period with the remaining unpaid principal due July 5, 2020.

Cash Flows

The following table summarizes our cash flows for the six months ended June 30, 2017 and 2016.

	2017	2016	Change
Net cash used in operating activities	(108,463)	(3,703)	(104,760)
Net cash used in investing activities	(10,258,454)	(133,934)	(10,124,520)
Net cash provided by (used in) financing activities	4,306,236	(122,235)	4,428,471
Change in cash	(6,060,681)	(259,872)	(5,800,809)

Operating Activities

We had net cash used in operating activities of $108,463 for the six months ended June 30, 2017. This resulted from a net loss of $654,562, adding back depreciation and amortization of $920,965, amortization of deferred loan fees of $68,119, and then deducting gain on sale of residential property of $75,796, and then decreasing the amount by the net change in operating assets and liabilities of $367,189.

We had net cash used in operating activities of $3,703 for the six months ended June 30, 2016. This resulted from a net loss of $648,242, adding back depreciation and amortization of $638,924 and amortization of deferred loan fees of $60,654, and then decreasing the amount by the net change in operating assets and liabilities of $55,039.

Investing Activities

During the six months ended June 30, 2017, we invested $10,039,852 in new homes, $354,414 in capital improvements for our homes, and $174,715 in lease origination costs. We received $205,027 of proceeds on the disposition of residential property and received $105,500 in refunds of escrow deposits for a total of $10,258,454 of cash used in investing activities.

During the six months ended June 30, 2016, we invested $224,805 in capital improvements and $53,030 in lease origination costs, and received $143,901 in refunds of escrow deposits for a total of $133,934 of cash used in investing activities.

Financing Activities

During the six months ended June 30, 2017, we had net cash provided by financing activities of $4,306,236 derived from $5,020,000 of proceeds from a note payable, less $258,266 of notes payable principal payments, less $124,196 of loan fees, less payments of deferred stock issuance costs of $331,302.

During the six months ended June 30,2016, we had net cash used in financing activities of $122,235 consisting of $957 in notes payable principal payments and $121,278 of payments of deferred stock issuance costs.

Our future acquisition activity relies primarily on our ability to raise funds from the further issuance of common shares combined with new loan transactions secured by our current and future home inventories. We remain focused on acquiring new capital. We believe our current cash balance combined with our estimated future net rental revenue is sufficient to fund our operating activities for calendar year 2017.

Off Balance Sheet Arrangements

None.

Net Operating Income

We define net operating income (or NOI) as total revenue less property operating and maintenance and real estate taxes. NOI is a non-GAAP measurement that excludes acquisition costs, depreciation and amortization, general and administration, legal and accounting, and interest expenses.

We consider NOI to be a meaningful financial measure when considered with the financial statements determined in accordance with GAAP. We believe NOI is helpful to investors in understanding the amount of income after operating expenses which is generated in a given period.

The following is a reconciliation of our NOI to net loss as determined in accordance with GAAP for the three and six month periods ended June 30, 2017 and 2016.

	Three Months ended June 30,		Six Months ended June 30,	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Net loss	$(289,884)	$(270,362)	$(654,562)	$(648,242)
Depreciation and amortization	479,240	313,508	920,965	638,924
General and administration	601,067	479,463	1,302,398	980,486
Acquisition costs	-	-	-	57,863
Interest expense and other income	282,923	257,092	458,211	515,034
Net operating income	$1,073,346	$779,701	$2,027,012	$1,544,065
Net operating income as a percentage of total revenue	52.9 %	55.9 %	53.8 %	55.7 %

NOI should not be considered an alternative to net loss or net cash flows from operating activities, as determined in accordance with GAAP, as indications of our performance or as measures of liquidity. Nor is NOI necessarily indicative of cash available to fund future cash needs or distributions to shareholders. In addition, although we use NOI for comparability in assessing our performance against other REITs, not all REITs compute the same non-GAAP measure of NOI. Accordingly, our basis for computing this non- GAAP measure may not be comparable with that of other REITs. This is due in part to the differences in property operating and maintenance expenses incurred by, and real estate taxes applicable to, different companies and the significant effect these items have on NOI.

Funds From Operations and Core Funds From Operations

Funds From Operations (or FFO) is a non-GAAP financial measure that we believe, when considered with the financial statements determined in accordance with GAAP, is helpful to investors in understanding our performance because it captures features particular to real estate performance by recognizing that real estate generally appreciates over time or maintains residual value to a much greater extent than do other depreciable assets. The National Association of Real Estate Investment Trusts (or NAREIT) defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of, and impairment losses recognized with respect to, depreciable property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated on the same basis to determine FFO.

Core Funds From Operations (or Core FFO) is a non-GAAP financial measure that we use as a supplemental measure of our performance. We believe that Core FFO is further helpful to investors as it provides a more consistent measurement of our performance across reporting periods by removing the impact of certain items that are not comparable from period to period. We adjust FFO for expensed acquisition fees and costs, share-based compensation, non-cash interest expense related to amortization of deferred financing costs, and certain other non-comparable costs to arrive at Core FFO.

FFO and Core FFO should not be considered alternatives to net income (loss) or net cash flows from operating activities, as determined in accordance with GAAP, as indications of our performance or as measures of liquidity. These non-GAAP measures are not necessarily indicative of cash available to fund future cash needs. In addition, although we use these non-GAAP measures for comparability in assessing our performance against other REITs, not all REITs compute the same non-GAAP measures. Accordingly, there can be no assurance that our basis for computing these non-GAAP measures is comparable with that of other REITs. This is due in part to the differences in capitalization policies used by different companies and the significant effect these capitalization policies have on FFO and Core FFO. Real estate costs which are accounted for as capital improvements are added to the carrying value of the property and depreciated over time, whereas real estate costs that are expenses are accounted for as a current period expense. This affects FFO and Core FFO because costs that are accounted for as expenses reduce FFO and Core FFO. Conversely, real estate costs associated with assets that are capitalized and then subsequently depreciated are added back to net income to calculate FFO and Core FFO.

The following table sets forth a reconciliation of our net loss as determined in accordance with GAAP and our calculations of FFO and Core FFO for the three and six months ended June 30, 2017 and 2016:

	Three Months ended June 30,		Six Months ended June 30,	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Net loss	$(289,884)	$(270,362)	$(654,562)	$(648,242)
Add back depreciation and amortization	479,240	313,508	920,965	638,924
Less gain on sale of residential property	(36,823)	-	(75,796)	-
Funds from (used in) operations	$152,533	$43,146	$190,607	$(9,318)
Add back noncash amortization of deferred loan fees	35,502	30,327	68,119	60,654
Less net casualty gain	-	-	(82,987)	-
Add back acquisition costs	-	-	-	57,863
Core funds from (used in) operations	$188,035	$73,473	$175,739	$109,199

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

As a “smaller reporting company” defined in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this item.

Item 4. Controls and Procedures.

Internal Control Over Financial Reporting

During the three months ended June 30, 2017, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 (“Exchange Act”)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Exchange Act as of June 30, 2017. Disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2017.

PART II - OTHER INFORMATION

Item 6. Exhibits.

Exhibit No.	**Description**	**Method of Filing**
10.1	Loan Modification Agreement dated April 14, 2017 between Reven Housing Texas, LLC and Silvergate Bank	Incorporated by reference from Registrant's Registration Statement on Form S-11 filed on May 5, 2017
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 10, 2017 REVEN HOUSING REIT, INC.

- /s/ Chad M. Carpenter
Chad M. Carpenter,
Chief Executive Officer
(Principal Executive Officer)

Dated: August 10, 2017 REVEN HOUSING REIT, INC.

- /s/ THAD L. MEYEr
Thad L. Meyer,
Chief Financial Officer
(Principal Financial Officer)