Reven Housing REIT, Inc.
Form 10-Q
August 09, 2018

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, 2018

-OR-

¨ 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 ¨

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 ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerate filer, or a small reporting 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 ¨ No x

The number of outstanding shares of the registrant's common stock, as of July 31, 2018: 10,769,530

REVEN HOUSING REIT, INC.

FORM 10-Q

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PART I – FINANCIAL 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, 2017 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, 2018 and December 31, 2017

	2018 (unaudited)	2017
ASSETS		
Investments in single-family residential properties:		
Land	$11,328,161	$10,996,361
Buildings and improvements	52,259,599	49,399,791
	63,587,760	60,396,152
Accumulated depreciation	(5,544,211)	(4,542,707)
Investments in single-family residential properties, net	58,043,549	55,853,445
Cash	6,700,475	6,442,322
Rent and other receivables	629,593	645,441
Escrow deposits	-	24,430
Lease origination costs, net	419,784	317,359
Deferred stock issuance costs	-	553,296
Other assets, net	679,852	1,750,548
Total Assets	$66,473,253	$65,586,841
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$1,214,547	$1,453,142
Resident security deposits	754,192	697,379
Notes payable, net	32,662,881	30,493,124
Total Liabilities	34,631,620	32,643,645
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; 10,769,530 and 10,734,025 shares issued and outstanding at at June 30, 2018 and December 31, 2017, respectively	10,770	10,734
Additional paid-in capital	41,841,805	41,677,465
Accumulated deficit	(10,010,942)	(8,745,003)
Total Stockholders' Equity	31,841,633	32,943,196
Total Liabilities and Stockholders' Equity	$66,473,253	$65,586,841

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 OPERATIONS (unaudited)

For the Three and Six Months Ended June 30, 2018 and 2017

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenue:				
Rental income	$ 2,232,786	$ 2,029,504	$ 4,412,078	$ 3,770,813
Expenses:				
Property operating and maintenance	682,431	586,070	1,300,594	1,101,631
Real estate taxes	369,545	370,088	732,916	642,170
Depreciation and amortization	514,858	479,240	1,033,896	920,965
General and administration	575,413	601,067	1,191,832	1,302,398
Total expenses	2,142,247	2,036,465	4,259,238	3,967,164
Operating income (loss)	90,539	(6,961)	152,840	(196,351)
Other income (expenses):				
Net gain on sale of single family residential properties	-	36,823	-	75,796
Casualty gain (loss), net	25,758	(6,221)	76,133	82,987
Other	7,201	4,112	14,995	8,163
Previously deferred stock issuance costs	(674,144)	-	(674,144)	-
Interest expense	(435,171)	(317,637)	(835,763)	(625,157)
Total other income (expenses), net	(1,076,356)	(282,923)	(1,418,779)	(458,211)
Net loss	$ (985,817)	$ (289,884)	$ (1,265,939)	$ (654,562)
Net loss per share (Basic and fully diluted)	$ (0.09)	$ (0.03)	$ (0.12)	$ (0.06)
Weighted average number of common shares outstanding	10,769,530	10,734,025	10,764,063	10,734,025

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, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities:		
Net loss	$(1,265,939)	$(654,562)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,033,896	920,965
Amortization of deferred loan fees	101,988	68,119
Gain on sale of single-family residential properties	-	(75,796)
Previously deferred stock issuance costs	674,144	-
Changes in operating assets and liabilities:		
Rent and other receivables	15,848	(363,794)
Other assets	(319,602)	(115,539)
Accounts payable and accrued liabilities	(74,220)	(24,725)
Resident security deposits	56,813	136,869
Net cash provided by (used in) operating activities	222,928	(108,463)
Cash Flows From Investing Activities:		
Acquisitions of single-family residential properties	(1,681,413)	(10,039,852)
Capital improvements for single-family residential properties	(1,510,195)	(354,414)
Proceeds from disposition of single-family residential properties	-	205,027
Insurance proceeds received for property damages	1,390,298	-
Lease origination costs	(134,817)	(174,715)
Escrow deposits	24,430	105,500
Net cash used in investing activities	(1,911,697)	(10,258,454)
Cash Flows From Financing Activities:		
Proceeds from notes payable	2,736,630	5,020,000
Payments of notes payable	(603,699)	(258,266)
Payment of loan fees	(65,161)	(124,196)
Payments of stock issuance costs	(120,848)	(331,302)
Net cash provided by financing activities	1,946,922	4,306,236
Net Increase (Decrease) In Cash	258,153	(6,060,681)
Cash at the Beginning of the Period	6,442,322	10,044,977
Cash at the End of the Period	$6,700,475	$3,984,296

Supplemental Disclosure:

Cash paid for interest	$720,769	$543,602

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

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REVEN HOUSING REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2018 and 2017

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, 2018, the Company owned 826 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 condensed 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 2017 Annual Report on Form 10-K filed with the SEC on March 29, 2018. The results of operations for the period ended June 30, 2018 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 condensed 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 condensed consolidated balance sheets, approximates fair value due to their short term nature. The Company’s short term financial instruments consist of cash, rent 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 condensed consolidated balance sheets, approximates fair value due to their floating market interest rate and because their 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, 2018 and 2017

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

Investments in Single-Family Residential Properties

The Company accounts for its investments in single-family residential properties as asset acquisitions and records these acquisitions at their purchase price. 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 loss for either the six-month periods ended June 30, 2018 or 2017.

Cash

The Company maintains its cash accounts 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.

Rent and Other Receivables

Rent 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.

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 and these purchases are contingent on the Company's ability to secure the debt and/or equity financing required to fund the acquisition.

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 loans as a component of interest expense on the consolidated statements of operations. These deferred loan fees are offset against the notes payable in the accompanying balance sheets.

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. During the quarter ended June 30, 2018, such capital raise was postponed and the Company expensed the related $674,144 of deferred stock issuance costs incurred through that date pertaining to its previously filed registration statement on Form S-11. The Company plans on filing a new registration statement on Form S-11 later this year.

Security Deposits

Security deposits represent amounts deposited by tenants at the inception of the lease. As of June 30, 2018 and December 31, 2017, the Company had $754,192 and $697,379, respectively, in resident security deposits. Security deposits are refundable, net of any outstanding charges and fees, upon expiration of the underlying lease.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2018 and 2017

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

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.

Income Taxes

The Company is currently evaluating whether to elect to be taxed as a real estate investment trust ("REIT"), as defined in the Internal Revenue Code, commencing with the taxable year ended December 31, 2017. The Company has until the extended due date of its December 31, 2017 tax return to formerly make this election. Accordingly, should the Company elect REIT status, it 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. Should the Company not elect to be taxed as a REIT, the Company will not be subject to federal income tax for the periods ended June 30, 2018 and 2017 due to significant operating losses and net operating loss carry-forwards.

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, 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.

During January 2018, an additional 35,505 shares were issued to officers, directors and employees as part of their accrued compensation for the year ended December 31, 2017. A total of 531,864 shares have been issued under the 2012 plan as of June 30, 2018.

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 three and six months ended June 30, 2018 and 2017, potentially dilutive securities excluded from the calculations were 263,588 shares issuable upon exercise of outstanding warrants granted in prior years.

Segment Reporting

The Company has determined that it has one reportable segment with activities related to leasing and operating single-family homes as rental properties. The Company's rental properties are geographically dispersed and management evaluates operating performance at the market level and while each market and its properties are unique, the aggregate market portfolios have similar economic interests and operating performance.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2018 and 2017

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

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The standard can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. In July 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delays the effective date of ASU 2014-09 by one year. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which is intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. ASU 2014-09, ASU 2015-14 and ASU 2016-08 are herein collectively referred to as the "New Revenue Recognition Standards". The New Revenue Recognition Standards are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted but not before annual periods beginning after December 15, 2016. The Company has adopted the New Revenue Recognition Standards effective as of January 1, 2018, and has applied the modified retrospective method. The Company has evaluated its revenue streams, and as they are primarily related to leasing activities which are scoped out of the New Revenue Recognition Standards, it has determined that the adoption of such standards does not have a material impact on the consolidated financial statements and thus there is no cumulative translation adjustments upon adoption. The Company evaluated its real estate sales contracts through June 30, 2018 and 2017 and determined they qualified as sales to noncustomers. The gain on the sale of real estate for the property sold through June 30, 2017 was recognized on the full accrual method based on the existing accounting standards and was determined to be a completed contract as of June 30, 2017, therefore the adoption of the ASU No. 2014-09 did not have an impact on the Company’s real estate sale contracts.

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.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2018 and 2017

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	Accumulated Depreciation	Investments in Single-Family Residential Properties, Net
Total at December 31, 2017	799	$10,996,361	$49,399,791	$60,396,152	$(4,542,707)	$55,853,445
Purchases and improvements during 2018:						
Acquisitions	27	331,800	1,349,613	1,681,413	-	1,681,413
Improvements	-	-	1,510,195	1,510,195	-	1,510,195
Depreciation	-	-	-	-	(1,001,504)	(1,001,504)
Total at June 30, 2018	826	$11,328,161	$52,259,599	$63,587,760	$(5,544,211)	$58,043,549

Approximately $987,000 of improvements made during the period ended June 30, 2018 were related to renovations resulting from casualties incurred during 2017, and were primarily funded with insurance proceeds received during the period ended June 30, 2018.

NOTE 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At June 30, 2018 and December 31, 2017, accounts payable and accrued liabilities consisted of the following:

	2018	2017
Accounts payable	$32,884	$162,221
Real estate taxes payable	772,037	781,898
Accrued compensation, board fees and other	304,230	416,633
Interest payable	105,396	92,390
	$1,214,547	$1,453,142

NOTE 5. NOTES PAYABLE

On February 16, 2018, Reven Housing Alabama, LLC, a wholly owned subsidiary of the Company, received additional loan proceeds of $2,736,630 and amended its promissory note to a total principal amount of $6,530,550 due to a bank, secured by deeds of trust encumbering certain of the Company's residential properties located in Birmingham, AL. The entire balance of principal and accrued interest is due and payable January 2023. The note provides for monthly principal and interest payments amortized over 20 years at a fixed rate of 4.25% per annum. The proceeds from this note were primarily used to purchase a portfolio of 27 single-family homes, located in the Birmingham, Alabama metropolitan area for approximately $1,659,000 not including closing and acquisition costs on February 16, 2018.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2018 and 2017

NOTE 5. NOTES PAYABLE (continued)

A summary of the Company's notes payable as of June 30, 2018 and December 31, 2017 is as follows:

	2018	2017	Interest Rate (Fixed)	Maturity Date
Note				
Reven Housing Texas, LLC	$7,227,071	$7,312,030	4.50 %	April, 2020
Reven Housing Texas 2, LLC	4,732,558	4,890,978	4.50 %	January, 2022
Reven Housing Tennessee, LLC	3,786,766	3,830,791	4.50 %	April, 2020
Reven Housing Florida, LLC	3,345,672	3,442,987	4.50 %	April, 2020
Reven Housing Florida 2, LLC	4,693,139	4,805,389	4.50 %	April, 2020
Reven Housing Georgia, LLC	1,760,866	1,780,765	4.50 %	July, 2020
Reven Housing Tennessee, LLC	1,135,962	1,148,726	4.50 %	September, 2020
Reven Housing Alabama, LLC	6,456,483	3,793,920	4.25 %	January, 2023
	33,138,517	31,005,586		
Less deferred loan fees, net	(475,636)	(512,462)		
Notes payable, net	$32,662,881	$30,493,124		

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 condensed 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 $475,636 and $512,462 as of June 30, 2018 and December 31, 2017, respectively.

During the three months ended June 30, 2018 and 2017, the Company incurred $435,171 and $317,637, respectively, of interest expense related to the notes payable, which includes $50,994 and $35,502, respectively, of amortization of deferred loan fees. During the six months ended June 30, 2018 and 2017, the Company incurred $835,763 and $625,157, respectively, of interest expense related to the notes payable, which includes $101,988 and $68,119, respectively, of amortization of deferred loan fees.

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. Accordingly, $425,000 of noncash share-based compensation expense was then recognized based on the value of the shares on the date of grant. None of the remaining 318,750 shares were vested as of the issuance date. 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.

In January 2018, the Company issued 35,505 shares of the Company's common stock under the 2012 Plan to certain directors, officers, and consultants of the Company as payment for accrued 2017 compensation.

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.

REVEN HOUSING REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2018 and 2017

NOTE 7. INCOME TAXES

The Company is currently evaluating whether to elect REIT status effective for the year ended December 31, 2017. The Company has until the extended due date of the 2017 federal tax return to make this election. The Company would then generally not be subject to income taxes assuming it complied with the specific distribution rules applicable to REITs. The Company has also incurred current and prior year net operating losses; thus the Company is not expecting to incur current income tax expenses even if it does not choose to elect REIT status in 2017.

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and expected carry-forwards are available to reduce taxable income. The Company records a valuation allowance when, in the opinion of management, it is more likely than not, that the Company will not realize some or all deferred tax assets. As the achievement of required future taxable income is uncertain, the Company recorded a valuation allowance equal to the deferred tax asset at June 30, 2018 and December 31, 2017. At December 31, 2017 the Company had federal and state net operating loss carry-forwards of approximately $5,400,000. The federal and state tax loss carry-forwards will begin to expire in 2032, unless previously utilized.

Pursuant to Internal Revenue Code Section 382, use of the Company’s net operating loss carry-forwards may be limited if a cumulative change in ownership of more than 50% occurs within a three-year period. Management believes that such an ownership change had occurred but has not yet performed a study of the limitations on the net operating losses.

NOTE 8. RELATED PARTY TRANSACTIONS

Reven Capital, LLC, which is wholly-owned by Chad M. Carpenter, a shareholder of the Company and its Chief Executive Officer, currently subleases office space from the Company on a month to month basis for a monthly rental of $500. For each of the three months ended June 30, 2018 and 2017, the Company received income from Reven Capital, LLC of $1,500, respectively. For each of the six months ended June 30, 2018 and 2017, the Company received income from Reven Capital, LLC of $3,000, respectively.

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 condensed consolidated financial statements and, therefore, no accrual has been recorded as of the periods ended June 30, 2018 and December 31, 2017.

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, 2017. 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 updated 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 residential properties 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 are currently evaluating whether to elect to be taxed as a real estate investment trust ("REIT"), as defined in the Internal Revenue Code, commencing with the taxable year ending December 31, 2017. Although we believe we currently meet all requirements allowing us to make the election, we are evaluating if we should postpone the election to a later year based on what would provide us the most benefits and flexibility in our tax planning and capital raising activities. Since we have incurred tax operating losses in 2017 and currently in 2018, the election of REIT status does not impact our current tax liability.

As of June 30, 2018, we have invested an aggregate of approximately $63.6 million and own a total of 826 homes, of which 263 homes are in the Houston, Texas metropolitan area, 252 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), 144 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, 2018, our portfolio properties were 93.3% occupied. 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 approximately $33.1 million as of June 30, 2018. 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, 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 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 years. 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, 2018:

Total Portfolio of Single-Family Homes — Summary Statistics
(as of June 30, 2018)

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	3,463,647	73,695	45	2	95.7	%	30	1,453	927	4.27
Birmingham, Alabama	144	9,912,110	68,834	131	13	91.0	%	57	1,302	837	4.91
Houston, Texas	263	22,414,392	85,226	252	11	95.8	%	49	1,452	1,132	5.77
Jacksonville, Florida	252	18,062,011	71,675	232	20	92.1	%	55	1,289	932	5.96
Memphis, Tennesee	120	9,735,600	81,130	111	9	92.5	%	44	1,675	999	9.49
Totals	826	$63,587,760	$ 76,983	771	55	93.3	%	50	1,409	$ 989	6.1

Results of Operations

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

The following table sets forth a comparison of the results of operations for the three months ended June 30, 2018 and 2017:

	2018	**2017**	**$ Change**	**% Change**	
Revenue:					
Rental income	$2,232,786	$2,029,504	$203,282	10.0	%
Expenses:					

Property operating and maintenance	682,431	586,070	96,361	16.4 %
Real estate taxes	369,545	370,088	(543)	-0.1 %
Depreciation and amortization	514,858	479,240	35,618	7.4 %
General and administration	575,413	601,067	(25,654)	-4.3 %
Total expenses	2,142,247	2,036,465	105,782	5.2 %
Operating income (loss)	90,539	(6,961)	97,500	1400.7 %
Other (expenses) income:				
Net gain on sale of residential property	-	36,823	(36,823)	-100.0 %
Casualty gain (loss), net	25,758	(6,221)	31,979	514.0 %
Other income	7,201	4,112	3,089	75.1 %
Previously deferred stock issuance costs	(674,144)	-	(674,144)	
Interest expense	(435,171)	(317,637)	(117,534)	-37.0 %
Total other expenses	(1,076,356)	(282,923)	(793,433)	-280.4 %
Net loss	$(985,817)	$(289,884)	$(695,933)	-240.1 %

For the three months ended June 30, 2018, we had total rental income of $2,232,786 compared to total rental income of $2,029,504 for the three months ended June 30, 2017. The increase is due primarily to an increase in the number of homes owned during the 2018 period when compared to the number of homes owned during the three months ended June 30, 2017. As of June 30, 2018, we owned 826 homes, at June 30, 2017 we owned 754 homes.

As of June 30, 2018, 771, or approximately 93.3%, of our 826 homes were occupied. During the three months ended June 30, 2018, we had 64 home leases turnover, which represented approximately 7.7% of our end of the quarter portfolio. As of June 30, 2017, 735, or approximately 97.5%, of our 754 homes were occupied. During the quarter ended June 30, 2017, we had 43 home leases turnover, which represented approximately 5.7% of our end of the quarter portfolio.

For the three months ended June 30, 2018, we had property operating and maintenance expenses of $682,431 compared to $586,070 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, 2018 were $369,545 compared to $370,088 for the three months ended June 30, 2017. The increase in property operating, maintenance expenses from 2017 to 2018 is primarily due to the corresponding increase in our inventory of single family homes. Real estate taxes are shown as basically unchanged for 2018 when compared to 2017, as the 2017 estimate contained a larger assessment increase which is not included in the current quarter's provision. We had net operating income from rentals of $1,180,810 for the three months ended June 30, 2018 compared to net operating income from rentals of $1,073,346 in the corresponding prior year period. This resulted in a net operating income margin of approximately 52.9% in 2018 which was the same as the net operating income margin in 2017.

Depreciation and amortization on our home investments increased to $514,858 for the three months ended June 30, 2018 compared to $479,240 in 2017, reflecting the corresponding increase in the number of single family homes owned.

General and administrative expenses for the three months ended June 30, 2018 totaled $575,413 compared to $601,067 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 nominal decrease in our general and administrative expenses is due primarily to a decrease in legal, accounting, and miscellaneous travel and promotional expense in 2018 when compared to 2017.

The above results in total expenses of $2,142,247 for the three months ended June 30, 2018 resulting in an operating income for the three months ended June 30, 2018 of $90,539, compared to total expenses of $2,036,465 for the three months ended June 30, 2017 and a corresponding operating loss of $6,961 for the three months ended June 30, 2017.

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, 2018. We had net casualty gains of $25,758 during the three months ended June 30, 2018, compared to a net casualty loss of $6,221 during the three months ended June 30, 2017. Other income was $7,201 for the three months ended June 30, 2018 as compared to other income of $4,112 for the three months ended June 30, 2017. During the quarter ended June 30, 2018 we expensed $674,144 of previously deferred stock issuance costs relating to a discontinued capital raise; there was not a corresponding charge during the three months ended June 30, 2017. Interest expense on our notes payable was $435,171 for the three months ended June 30, 2018 compared to $317,637 for the three months ended June 30, 2017. The increase is primarily due to higher note payable balances for the three months ended June 30, 2018 when compared to the corresponding period in 2017. This resulted in net other expense of $1,076,356 for the three months ended June 30, 2018 compared to a net other expense of $282,923 for the three months ended June 30, 2017.

Net loss for the three months ended June 30, 2018 was $985,817. The net loss for the three months ended June 30, 2017 was $289,884. The weighted average number of shares outstanding for the three months ended June 30, 2018 increased to 10,769,530 from 10,734,025 for the three months ended June 30, 2017 resulting in a net loss per share of $0.09 for the three months ended June 30, 2018 and a net loss per share of $0.03 for the three months ended June 30, 2017. You will note that the expensing of $674,144 of previously deferred stock issuance costs during the three months ended June 30, 2018 caused the net loss per share to increase $0.06 per share.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

The following table sets forth a comparison of the results of operations for the six months ended June 30, 2018 and 2017:

	2018	2017	$ Change	**% Change**
Revenue:				
Rental income	$4,412,078	$3,770,813	$641,265	17.0 %
Expenses:				
Property operating and maintenance	1,300,594	1,101,631	198,963	18.1 %
Real estate taxes	732,916	642,170	90,746	14.1 %
Depreciation and amortization	1,033,896	920,965	112,931	12.3 %
General and administration	1,191,832	1,302,398	(110,566)	-8.5 %
Total expenses	4,259,238	3,967,164	292,074	7.4 %
Operating income (loss)	152,840	(196,351)	349,191	177.8 %
Other (expenses) income:				
Net gain on sale of residential properties	-	75,796	(75,796)	-100.0 %
Casualty gain (loss), net	76,133	82,987	(6,854)	-8.3 %
Other income	14,995	8,163	6,832	83.7 %
Previously deferred stock issuance costs	(674,144)	-	(674,144)	
Interest expense	(835,763)	(625,157)	(210,606)	-33.7 %
Total other expenses	(1,418,779)	(458,211)	(960,568)	-209.6 %
Net loss	$(1,265,939)	$(654,562)	$(611,377)	-93.4 %

For the six months ended June 30, 2018, we had total rental income of $4,412,078 compared to total rental income of $3,770,813 for the six months ended June 30, 2017. The increase in total rental and other income is due primarily to the increase in rental homes owned for the 2018 time period as compared to 2017.

For the six months ended June 30, 2018, we had property operating and maintenance expenses of $1,300,594 compared to $1,101,631 for the six months ended June 30, 2017. Real estate taxes for the six months ended June 30, 2018 were $732,916 compared to $642,170 for the six months ended June 30, 2017. The increase in property operating, maintenance and real estate taxes from 2017 to 2018 is due to a corresponding increase in our inventory of single family homes.

We had net operating income from rentals of $2,378,568 for the first six months of 2018 compared to net operating income from rentals of $2,027,012 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 2017 period. This results in a net operating income margin of approximately 53.9% in 2017 compared to a net operating income margin of 53.8% in 2017.

Depreciation and amortization increased to $1,033,896 during the six months ended June 30, 2018 compared to $920,965 during the six months ended June 30, 2017, reflecting the corresponding increase in our number of single family homes owned.

General and administrative expenses for the six months ended June 30, 2018 totaled $1,191,832 compared to $1,302,398 for the prior year period. The decrease in our general and administrative expenses is due primarily to a decrease in legal, accounting, and miscellaneous travel and promotional expenses in 2018 when compared to 2017, due to a decrease in acquisition and promotional activities in the current period.

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, 2018. We had net casualty gains of $76,133 during the six months ended June 30, 2018, compared to net casualty gains of $82,987 during the six months ended June 30, 2017. Other income was $14,995 for the six months ended June 30, 2018 as compared to other income of $8,163 for the six months ended June 30, 2017. During the six months ended June 30, 2018 we expensed $674,144 of previously deferred stock issuance costs relating to a discontinued capital raise; there was not a corresponding charge during the six months ended June 30, 2017. Interest expense on our notes payable was $835,763 for the six months ended June 30, 2018 compared to $625,157 for the six months ended June 30, 2017. The increase is primarily due to higher note payable balances for the six months ended June 30, 2018 when compared to the corresponding period in 2017. This resulted in net other expense of $1,418,779 for the six months ended June 30, 2018 compared to a net other expense of $458,211 for the six months ended June 30, 2017.

Net loss for the six months ended June 30, 2018 was $1,265,939. The net loss for the six months ended June 30, 2017 was $654,562. The weighted average number of shares outstanding for the six months ended June 30, 2018 increased to 10,764,063 from 10,734,025 for the six months ended June 30, 2017, resulting in a net loss per share of $0.12 for the six months ended June 30, 2018 and a net loss per share of $0.06 for the six months ended June 30, 2017. You will note that the expensing of $674,144 of previously deferred stock issuance costs during the three months ended June 30, 2018 caused the net loss per share to increase $0.06 per share.

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, 2018 consisted primarily of cash of $6,700,475. We believe our current liquidity and the expected cash flows from operations will be sufficient to fund the present level of our operations through the 12 months following the date of this report. 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 February 16, 2018 we received additional loan proceeds of $2,736,630 and amended our promissory note to a total principal amount of $6,530,550 to a bank, secured by deeds of trust encumbering certain of the homes located in Birmingham, AL. The entire balance of principal and accrued interest is due and payable January 2023. The note provides for monthly principal and interest payments amortized over 20 years at a fixed rate of 4.25% per annum.

The net proceeds from this note were primarily used to purchase a portfolio of 27 single-family homes, located in the Birmingham, Alabama metropolitan area for approximately $1,659,000 not including closing and acquisition costs on February 16, 2018.

A summary of our notes payable as of June 30, 2018 and December 31, 2017 is as follows:

Note	2018	2017	Interest Rate (Fixed)	Maturity Date
Reven Housing Texas, LLC	$7,227,071	$7,312,030	4.50 %	April, 2020
Reven Housing Texas 2, LLC	4,732,558	4,890,978	4.50 %	January, 2022
Reven Housing Tennessee, LLC	3,786,766	3,830,791	4.50 %	April, 2020
Reven Housing Florida, LLC	3,345,672	3,442,987	4.50 %	April, 2020
Reven Housing Florida 2, LLC	4,693,139	4,805,389	4.50 %	April, 2020
Reven Housing Georgia, LLC	1,760,866	1,780,765	4.50 %	July, 2020
Reven Housing Tennessee, LLC	1,135,962	1,148,726	4.50 %	September, 2020
Reven Housing Alabama, LLC	6,456,483	3,793,920	4.25 %	January, 2023
	33,138,517	31,005,586		
Less deferred loan fees, net	(475,636)	(512,462)		
Notes payable, net	$32,662,881	$30,493,124		

Cash Flows

The following table summarizes our cash flows for the six months ended June 30, 2018 and 2017.

	2018	2017	$ Change
Net cash provided by (used in) operating activities	$222,928	$(108,463)	$331,391
Net cash used in investing activities	(1,911,697)	(10,258,454)	8,346,757
Net cash provided by financing activities	1,946,922	4,306,236	(2,359,314)
Net change in cash	$258,153	$(6,060,681)	$6,318,834

Operating Activities

We had net cash provide by operating activities of $222,298 for the six months ended June 30, 2018. This resulted from a net loss of $1,265,939, adding back depreciation and amortization of $1,033,896, amortization of deferred loan fees of $101,988, cancelled offering costs of $674,144, and then decreasing the amount by the net change in operating assets and liabilities of $321,161.

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 properties of $75,796, and then decreasing the amount by the net change in operating assets and liabilities of $367,189.

Investing Activities

During the six months ended June 30, 2018, we invested $1,681,413 in new homes, $1,510,195 in capital improvements for our homes (of which approximately $987,000 were for hurricane renovation costs), and $134,817 in lease origination costs. We received $1,390,298 of insurance proceeds for property damages, and received $24,430 in reductions of escrow deposits for a total of $1,911,697 of net cash used in 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 properties and received $105,500 in refunds of escrow deposits for a total of $10,258,454 of cash used in investing activities.

Financing Activities

During the six months ended June 30, 2018, we had net cash provided by financing activities of $1,946,922 derived from $2,736,630 of proceeds from a note payable, less $603,699 of notes payable principal payments, less $65,161 of loan fees, and the payment of $120,848 of deferred offering costs.

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.

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 through the 12 months following the date of this report.

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 months ended June 30, 2018 and 2017.

	Three Months ended June 30,		Six Months ended June 30,	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Net loss	$ (985,817)	$ (289,884)	$ (1,265,939)	$ (654,562)
Depreciation and amortization	514,858	479,240	1,033,896	920,965
General and administration	575,413	601,067	1,191,832	1,302,398
Interest expense and other income and expenses, net	1,076,356	282,923	1,418,779	458,211
Net operating income	$ 1,180,810	$ 1,073,346	$ 2,378,568	$ 2,027,012
Net operating income as a percentage of total revenue	52.9 %	52.9 %	53.9 %	53.8 %

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, casualty gains and losses, cancelled offering 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, 2018 and 2017:

	Three Months ended June 30,		Six Months ended June 30,	
	2018	2017	2018	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net loss	$ (985,817)	$ (289,884)	$ (1,265,939)	$ (654,562)
Add back depreciation and amortization	514,858	479,240	1,033,896	920,965
Less gain on sale of residential properties	-	(36,823)	-	(75,796)
Funds from (used in) operations	$ (470,959)	$ 152,533	$ (232,043)	$ 190,607
Add back noncash amortization of deferred loan fees	50,994	35,502	101,988	68,119
Less net casualty gain; add net casualty loss	(25,758)	6,221	(76,133)	(82,987)
Add back previously deferred stock issuance costs	674,144	-	674,144	-
Core funds from operations	$ 228,421	$ 194,256	$ 467,956	$ 175,739

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, 2018, 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, 2018. 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, 2018.

PART II - OTHER INFORMATION

Item 6. Exhibits.

Exhibit No.	**Description**	**Method of Filing**
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 9, 2018	REVEN HOUSING REIT, INC.
	/s/ Chad M. Carpenter Chad M. Carpenter, Chief Executive Officer (Principal Executive Officer)

Dated: August 9, 2018	REVEN HOUSING REIT, INC.
	/s/ THAD L. MEYEr Thad L. Meyer, Chief Financial Officer (Principal Financial Officer)