VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Financial Statements
(With Supplementary Information
and Independent Auditor's Report)

December 31, 2017

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(A Nonprofit California Corporation)

December 31, 2017

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LEVITT & ROSENBLUM
CERTIFIED PUBLIC ACCOUNTANTS
10801 National Blvd., Suite 604
Los Ángeles, California 90064

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Venice Community Housing Corporation:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Venice Community Housing Corporation, a nonprofit California corporation, and Affiliates (collectively the Organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of VCHC Pacific Apartments, LLC and VCHC Gateway, L.P., which statements reflect total assets of $11,288,381 as of December 31, 2017 and total revenue of $672,422 for the year ended December 31, 2017. Those statements were audited by other auditors, whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for such entities controlled by Venice Community Housing Corporation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Venice Community Housing Corporation and Affiliates as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Levitt & Rosenblum

Los Angeles, California
August 10, 2018

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Financial Position

December 31, 2017

ASSETS

Cash	$ 1,656,330
Restricted cash and reserves (note 3)	3,468,707
Government contracts receivable (note 2)	196,030
Grants receivable	44,256
Accounts receivable	107,424
Prepaid expenses	31,499
Property, at cost (note 2):	
Land	9,044,758
Buildings and improvements	21,998,175
Equipment and furniture	705,258
Less: accumulated depreciation	8,514,532
Net Property	23,233,659
Real estate under development (note 4)	518,903
Capitalized costs, net of accumulated amortization (note 8)	72,401
Deposits	18,924
Total Assets	$ 29,348,133

LIABILITIES AND NET ASSETS

Accounts payable	$ 139,192
Construction costs payable	101,914
Accrued payroll and vacation	146,157
Prepaid rent	89,726
Deferred revenue	56,557
Accrued interest payable (note 5)	1,189,394
Mortgage notes payable (notes 5 and 14)	18,386,091
Tenant security deposits	181,141
Commitments and contingencies (note 14)	
Total Liabilities	20,290,172
Net Assets:	
Unrestricted net assets	1,758,010
Unrestricted, board designated fund (note 15)	20,000
Unrestricted, controlling interest	1,021,344
Unrestricted, non-controlling interest (note 2)	6,008,250
Total unrestricted net assets	8,807,604
Temporarily restricted (note 10)	250,357
Total Net Assets	9,057,961
Total Liabilities and Net Assets	$ 29,348,133

See notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Activities

Year ended December 31, 2017

Changes in unrestricted net assets:	
Revenues and Support:	
Contributions and grants	$ 895,637
Government contracts	661,250
Partnership developer fees	22,818
Program service	60,000
Rental income	2,660,954
Cancellation of debt	119,502
Other income	8,125
Interest income	3,993
Total unrestricted revenue	4,432,279
Net assets released from restrictions:	
Satisfaction of program restrictions	158,182
Total unrestricted revenue and other support	4,590,461
Expenses:	
Salaries	1,746,597
Payroll taxes	145,542
Employee benefits	165,021
Total salaries and related expense	2,057,160
Consultants	36,015
Job training and supplies	51,169
Education and after school programs	62,891
Rent	19,294
Legal and accounting	93,301
Office and administration	183,682
Conference, training and travel	43,944
Property management fee	26,336
Fundraising and outreach	98,531
Maintenance and repairs	523,498
Utilities	318,586
Insurance	315,739
Property tax, license and fees	215,144
Interest	473,093
Depreciation and amortization	640,663
Total expenses	5,159,046
Decrease in unrestricted net assets	(568,585)
Changes in temporarily restricted net assets:	
Contributions and grants	231,613
Net assets released from restrictions	(158,182)
Increase in temporarily restricted net assets	73,431
Decrease in net assets	$ (495,154)
Change in net assets attributable to controlling interest	$ (204,099)
Change in net assets attributable to non-controlling interest	(291,055)
	$ (495,154)

See notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Changes in Net Assets

Year ended December 31, 2017

Changes in Net Assets:	
Net assets, unrestricted at January 1, 2017	$ 9,019,545
Partner capital contributions	356,644
Changes in unrestricted net assets	(568,585)
Net assets, unrestricted at December 31, 2017	8,807,604
Net assets, temporarily restricted at January 1, 2017	176,926
Changes in temporarily restricted net assets	73,431
Net assets, temporarily restricted at December 31, 2017	250,357
Total net assets at December 31, 2017	$ 9,057,961

See notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Cash Flows

Year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (495,154)
Adjustments to reconcile change in net assets to cash flow from operating activities:	
Depreciation and amortization expense	640,663
Amortization of debt issuance costs	8,791
Provision for uncollectible property tax refund receivable	107,284
Cancellation of debt	(194,502)
Decrease (Increase) in Operating Assets:	
Tenant security deposits	(551)
Government contracts receivable	(17,584)
Accounts receivable	(51,841)
Grants receivable	(14,762)
Prepaid expenses	8,254
Deposits	(1,407)
Increase (Decrease) in Operating Liabilities:	
Accounts payable and accrued expenses	(22,151)
Other liability	(20,000)
Prepaid rent and deferred revenue	17,766
Accrued interest payable	230,291
Tenant security deposits	4,424
Net cash provided by operating activities	199,521
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net changes in restricted cash and reserves	(1,052,849)
Payment for building improvements	(10,777)
Payment for real estate under development	(415,632)
Net cash used in investing activities	(1,479,258)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Partner capital contributions	356,644
Payment of development fee payable	(47,818)
Proceeds from notes payable	983,145
Repayment of notes payable	(156,858)
Net cash provided by financing activities	1,135,113
Net decrease in cash	(144,624)
Cash, beginning	1,800,954
Cash, ending	$ 1,656,330
Supplemental noncash investing and financing activities:	
Additional costs of rental property from capitalized interest accrual and construction costs payable	$ 103,271
Supplemental disclosure of cash flow information:	
cash paid for interest, net of amounts capitalized	$ 234,073

See notes to consolidated financial statements.

(1) Purpose and Activities

Venice Community Housing Corporation (VCHC) is a nonprofit California corporation organized for the purpose of providing affordable housing, economic development opportunities, and support services for low income people. This is accomplished through the acquisition, construction, rehabilitation and management of residential properties, as well as the creation of other community development initiatives including job training, childcare and after-school programs. VCHC's activities are primarily funded by grants, contributions, government contracts and rental income.

Westside Housing Corporation (WHC) is an affiliated nonprofit California corporation organized for the purpose of assisting in the development and management of affordable housing properties, primarily through the acquisition of low-income housing limited partner ownership interests, in which VCHC is the general partner.

Collectively, VCHC and its Affordable Housing Affiliates shall be referred to as the Organization.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The consolidating financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Organization and investments in limited partnerships and limited liability companies. Accordingly, income is recognized as earned and expenses incurred, regardless of timing of payments. The non-controlling interests in the consolidated limited partnerships are shown separately in the components of net assets.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of VCHC, WHC, and seven affordable housing entities (Affordable Housing Affiliates), which are comprised of 4 limited partnerships and 3 limited liability companies which are all in operation, as described below. These Affordable Housing Affiliates are included in the consolidation in accordance with United States generally accepted accounting principles (GAAP) which require consolidation of the all such entities which are deemed to be controlled by VCHC. WHC is consolidated because VCHC has both an economic interest and control of the organization through a majority voting interest in the governing board. All significant inter-company accounts and material transactions have been eliminated in consolidation.

The following is a summary of Affordable Housing Affiliates and the consolidated ownership information as of December 31, 2017.

Affordable Housing Affiliates	Owner Interest
Fourth Avenue Limited Partnership	100.00%
Horizon Apartments, LLC	100.00%
Navy Blue Apartments Limited Partnership	100.00%
VCHC Pacific Apartments, LLC	100.00%
12525 Washington Place, L.P.	100.00%
VCHC Gateway, L.P.	0.01%
VCHC Gateway, LLC	51.00%

(2) Summary of Significant Accounting Policies, Continued

Affordable Housing Affiliates, description:

Fourth Avenue Limited Partnership (Fourth Avenue) is a California limited partnership. The Partnership was formed in June, 1993 for the purpose of developing and operating a 25 unit low-income rental housing project in Venice, California. Development of the property was completed and rental operations began in August, 1996. Regulatory agreements entered into with the State of California and the City of Los Angeles restricts the use of this property as low-income housing. The General Partner is VCHC, which owns a 1% interest, and the Limited Partner is WHC, which owns a 99% interest in the Partnership.

Horizon Apartments, LLC (Horizon) is a California limited liability company. The LLC was formed in September, 2010, for the purpose of developing and operating a 20 unit low-income rental housing project located in Venice, California. Horizon is a single member LLC, with VCHC as its sole member. Rehabilitation of the property was completed and rental operations began in July, 2011. Regulatory agreements entered into with the State of California and City of Los Angeles restricts the use of this property as low-income housing and governs the ownership, management, maintenance and operations of the residential building.

Navy Blue Apartments Limited Partnership (Navy Blue) is a California limited partnership. The Partnership was formed in March, 1990 for the purpose of developing and operating a 14 unit low-income rental housing project located in Venice, California. The Partnership has leased the land, on which it constructed rental housing, from the City of Los Angeles. Development of the property was completed and rental operations began in July, 1994. Regulatory agreements entered into with the State of California and the City of Los Angeles restrict the use of this property as low-income housing. The Partnership's General Partner is VCHC, which owns a 30% interest, and the Limited Partner is WHC, which owns a 70% interest in the Partnership.

VCHC Pacific Apartments, LLC (Pacific) is a California limited liability company. The LLC was formed and an operating agreement was executed in June, 2012, for the purpose of refinancing and operating a 32 unit low-income rental housing project located in Venice, California. Pacific is a single member LLC, with VCHC as its sole member. The VCHC owned property was transferred to the LLC and the debt refinancing was completed November, 2012. A Regulatory agreement entered into with HUD restricts the use of this property as low-income housing and governs the ownership, management, and operations of the property.

12525 Washington Place, L.P., (Washington Place) is a California limited partnership. The Partnership was formed in May, 1996 for the purpose of developing and operating 30 units of low-income rental housing located in Los Angeles, California. Development of the property was completed and rental operations began in November, 1997. A regulatory agreement entered into with the City of Los Angeles restricts the use of this property as low-income housing. The General Partner is VCHC, which owns a 1% interest, and the Limited Partner is WHC, which owns a 99% interest in the Partnership.

VCHC Gateway, L.P., (VCHC Gateway) is a California limited partnership. The Partnership was formed in September, 2014, for the purpose of developing and operating a 21 unit low-income rental housing project located in Los Angeles, California. Development of the property was completed and rental operations began in March, 2016. Regulatory agreements entered into with the City of Los Angeles and the California Tax Credit Allocation Committee restricts the use of this property as low-income housing. The General Partner is VCHC Gateway, LLC, which owns a .01% interest and the Limited Partner is NEF Assignment Corporation, a California nonprofit corporation, which owns a 99.99% interest in the Partnership.

VCHC Gateway, LLC, a California limited liability company comprised of VCHC and Hollywood Community Housing Corporation, a California nonprofit corporations. The LLC was organized for the purpose of assisting in the development and management of low-income housing property located in Los Angeles, California.

(2) Summary of Significant Accounting Policies, Continued

Non-Controlling Interest in Limited Partnerships

The non-controlling interest reflected in the consolidated statement of financial position represents the aggregate balance of investor limited partner equity interest in the non-wholly-owned affiliated affordable housing limited partnerships that are included in the accompanying consolidated financial statements.

Revenue Recognition

VCHC is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

In conformity with GAAP, contributions and grants are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires because the stipulated time restriction ends or the purpose restriction is accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. General support received under grants is recorded when unconditionally promised by the grantor.

The Organization receives conditional grants from government agencies for various purposes. Revenue from direct or pass through governmental grants and contracts are classified as exchange transactions (as the contracting party generally receives commensurate value) and recognized as unrestricted support in accordance with the terms of the contract when the funds have been earned. Funds received for services not yet earned are reported as deferred revenue in the consolidated financial statements.

Rental income, primarily from short-term operating leases, is recognized for apartment rentals as it becomes due. Advance receipts of rental income are deferred and classified as liabilities until earned. Partnership project management fee income is earned annually based on the partnership agreements. Other fees from project management are earned monthly based on management agreements. Fees earned from affiliated entities are eliminated in consolidation.

Accounts and Grants Receivable

VCHC does not maintain an allowance for uncollectible amounts because receivables primarily consist of grants and contracted government reimbursement requests. If any amounts become uncollectible, they will be charged to operations when that determination is made. GAAP requires that an allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Management believes all receivables to be collectible at December 31, 2017. The Affordable Housing Affiliates report receivables net of an allowance for estimated uncollectible amounts. It is reasonably possible that the estimate of the allowance could change.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is calculated using the straight-line method. GAAP requires that the effective yield method be used to amortize the costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

Advertising

Advertising costs are expensed as incurred.

(2) Summary of Significant Accounting Policies, Continued

Navy Blue Ground Lease

Navy Blue leases the land underlying the project from the City of Los Angeles for a term of fifty-five years. The lease provides for rent to be paid annually in an amount equal to the lesser of the fair market rent or 50% of the residual receipts of the Partnership for the year, as defined. The difference between the actual lease payment and the fair market rent will accumulate and be payable from the next available residual receipts. At the end of the lease term all unpaid rent will be due and payable, but only to the extent that the fair market value of the property improvements exceeds the outstanding amount of any loans and related accrued interest remaining on the property. Management considers the contingency remote, and accordingly, no amounts have been accrued in the consolidated financial statements.

As of December 31, 2017, no rental payments have been made under the Ground Lease as the project has not generated any residual receipts, as defined. Also, in accordance with residual receipts calculations, Management estimates that no rent payments will be made during the term of the Ground Lease.

Depreciable Assets

Land, building and improvements are recorded at cost. Additions and improvements that materially extend the life of assets are capitalized. Expenditures for ordinary maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Financing costs are capitalized and amortized on a straight-line basis over the length of the related loan. The estimated service life of the assets for depreciation purposes may be different than their actual economic useful lives.

	Estimated Life
Land	-
Building and improvements	20 to 40 years
Furniture and equipment	5 to 7 years

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low-income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There was no impairment losses recognized in 2017.

Fair Value Measurements

The carrying amount of the Organization's cash and cash equivalents, receivables, payables and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of the Organizations notes payable is assessed by management based on analysis of underlying investments and historical trends. Impairment reserves are provided as necessary.

The Organization has certain loans with the City of Los Angeles in which the interest repayment is contingent on the fair value of the property, as defined in the loan agreement (see note 14). The fair value determines whether interest accrues on these loans. Information to develop unobservable inputs to determine fair value is not reasonably available without undue cost and effort. Since significant uncertainty exists with respect to the Organization's cash flow availability to repay the loans, management has concluded that fair value of these loans cannot be determined.

(2) Summary of Significant Accounting Policies, Continued

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Developer Fees

VCHC is jointly responsible for the development of the VCHC Gateway housing project, in accordance with provisions codified in the limited partnership agreement. Development fees are earned in connection with the construction and oversight of the development of the project. Development fees anticipated to be paid from investor equity or project financing are recognized as revenue commencing with the closing of the Project's construction financing primarily based on the percentage of completion method and in accordance with the developer fee agreement. Such fees are capitalized by the limited partnerships. Due to the timing and contingent nature of determining the final developer fee owed, VCHC recognizes the fee primarily based on the cash basis of accounting.

In the event that a portion of the development fee is not paid at the end of the development period (deferred developer fee), the deferred development fee is generally assumed to be paid from future project cash flow. Any deferred development fees paid from project operations are eliminated in consolidation. Total developer fee earned and recognized from the VCHC Gateway housing project approximated $23,000 during 2017.

Income taxes

VCHC is exempt from Federal and California income taxes under Section 501(c)(3) of the Internal Revenue code and corresponding California provisions. However, VCHC could be subject to Federal and California tax on unrelated business income, if any, as stipulated in IRC Section 511. VCHC does not have any net income that management believes would be subject to unrelated business income tax, as defined. Accordingly, no provision has been made for taxes in the accompanying consolidated financial statements. Management believes that VCHC has adequately addressed all relevant tax positions and that there are none which must be considered for disclosure.

The Affordable Housing Affiliates are pass-through entities for income tax purposes and are not subject to income taxes. The Affordable Housing Affiliates' federal tax status as a pass-through entity is based on their legal status as a partnership or LLC. The Affordable Housing Affiliates are required to file tax returns with the Internal Revenue Service and other taxing authorities. For tax purposes, income, loss and tax credits are includable in the tax returns of the individual partners and members. Accordingly, no provision has been made for taxes in the accompanying consolidated financial statements. Generally, income tax returns filed by the Affordable Housing Affiliates are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2014 remain open.

WHC is a nonprofit California corporation that is not currently seeking an income tax exemption under Section 501(c)(3) of the Internal Revenue code and corresponding California provisions. For the year ended December 31, 2017, there was a federal and state tax loss that was not material to the consolidated financial statements as a whole. Therefore, no provision for income taxes has been recorded in the accompanying consolidated financial statements.

(2) Summary of Significant Accounting Policies, Continued

Property Tax Exemption

The Affordable Housing Affiliates are generally exempt from real property taxes to a substantial degree. In the event such exemption is not renewed or no longer available, the Affordable Housing Affiliates cash flow would be negatively impacted.

Following the transfer of the VCHC Pacific Apartments, LLC Project from VCHC in a prior year, the property tax exemption was not applied to the property tax invoices received, resulting in payment of the property taxes in excess of the amount that the Affiliate believes should have been charged had the tax exemption been applied for the period affected. The Affiliate has requested and applied for the tax exemption and for refunds of the prior excess property taxes paid. The County Tax Assessor has not approved the refunds and the Affiliate is in the process of filing an appeal. Since collectability of the refunds of the prior property tax payments are uncertain, the Affiliate has recorded a reserve on the property tax refund receivable of $107,284, which was reflected as an expense of the Affiliate on the accompanying Statement of Activities as of December 31, 2017.

Concentration of Business and Credit Risk

The Organization's cash and cash equivalents are maintained in several bank accounts which, at times, are in excess of federally insured amounts. Such cash balances vary throughout the year. The Organization is subject to credit risk to the extent that its cash and cash equivalents exceed federal deposit insurance limits. The Organization has not experienced any losses in such accounts. At December 31, 2017 the uninsured balances approximate $1,140,000 based on actual bank balances. Management believes this credit risk is not significant in regard to these cash balances at December 31, 2017.

The Organization's revenues are derived from several sources. Approximately 24% of revenue is from contributions and grants from non-governmental sources; 14% from fees charged to government agencies; and 57% from rental operations.

The Organization is subject to business risks associated with the level of charitable giving in both the private and public sectors, as well as the level of funding for particular government programs. The Organization operates in a heavily regulated environment and most of the Organization's operations are subject to directives, rules and regulations of federal, state and local regulatory agencies. Such directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by such municipal agencies. The Affordable Housing Affiliates rent to people with qualifying levels of income who work primarily in the Los Angeles area. The Affordable Housing Affiliates are subject to business risks associated with the economy and level of unemployment in Los Angeles, as well as available rental subsidies, which affects occupancy and the tenants' ability to make rental payments.

VCHC receives fees from partnerships in which it is the general partner, as well as grants and rent subsidies from programs such as HUD Section 8 and Continuum of Care Program. These funds are dependent upon the continued successful development and management of housing projects by the Organization, compliance with matching requirements of the programs, as well as the continued availability of funds from such programs.

VCHC also provides advances to affiliates involved in the development of the affordable housing projects, and has partnership management fees that are owed from the affiliates. Such advances and fees are unsecured and the realization of these fees is dependent upon the operating cash flow of the related affordable housing affiliate. Advances and fees related to affiliates have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies, Continued

Amortization

Costs related to obtaining low-income housing tax credits, marketing and lease-up, compliance monitoring costs and land lease are being amortized using the straight-line method.

Statement of Cash Flows

For purposes of reporting cash flows, the Organization considers all highly liquid investments with a maturity rate of three months or less to be cash equivalents.

Subsequent Events

The Organization has evaluated subsequent events that have occurred from December 31, 2017 through August 10, 2018, which is the date that the consolidated financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition in the consolidated financial statements other than those disclosed in notes to financial statements (Note 16).

(3) Restricted Cash and Reserves

Restricted cash includes cash deposited into separate bank accounts being held as collateral, and for predevelopment expenditures, tenant security deposits, housing project operating and replacement reserves, housing transition reserves, and mortgage escrow impounds that have been required to be established. Such reserves are required by various financing authorities, lenders or stipulations in the applicable partnership or operating agreements. The Organization is required to make annual deposits as stipulated in the various loan and regulatory agreements. The carrying amounts of restricted cash approximate their fair value.

According to various loan and other regulatory agreements, The Organization is required to designate a portion of its cash as restricted for the following purposes:

	VCHC	Affiliates	Total
Predevelopment Funds	$ 709,973	-	$ 709,973
Operating Reserves	28,867	824,963	853,830
Replacement Reserves	194,465	969,388	1,163,853
Revenue Deficit Reserves	-	102,000	102,000
Transition Reserves	-	222,952	222,952
Other	57,877	160,296	218,173
Security Deposits	72,219	125,707	197,926
Total	$ 1,063,401	2,405,306	$ 3,468,707

(4) Real Estate Under Development

The Organization has two low-income housing projects in development as of December 31, 2017, that are located at 718 Rose Avenue and 200 N. Venice Boulevard. Development costs are those capitalized costs paid on behalf of particular affordable housing projects prior to their being placed in service. Such costs include predevelopment costs, direct and indirect costs of construction, as well as carrying costs during the construction period including supervision and management. The funding for such costs are provided by acquisition, predevelopment and construction loans. In the event that a project is discontinued the capitalized costs are expensed.

(5) Mortgage Notes Payable

Notes payable primarily consists of collateralized trust deeds on real property and improvements as follows:

VCHC:

200 Lincoln Boulevard: 7.26% adjustable rate note payable to Citibank, in the original amount of $600,000, secured by a deed of trust on real property, interest rate fixed until April, 2020, then adjusting in accordance with the ten-year treasury constant maturity yield, maximum interest rate 12.26%, currently payable in monthly installments of principal and interest of $4,185, due April, 2030.	$ 408,465
5032 South Slauson Avenue: Note payable through the Federal Home Loan Bank of San Francisco-Affordable Housing Program, in the original amount of $56,000, secured by a deed of trust on real property, non-interest bearing, principal deferred for the fifteen-year compliance period, subject to forgiveness if the property remains affordable within the Affordable Housing program regulations.	56,000
511 Brooks Avenue: 3.137% adjustable rate note payable to Chase, in the original amount of $195,000, secured by a deed of trust on real property, calculated monthly in accordance with the 11th district cost of funds, maximum interest rate of 11.70% (3.14% at December 31, 2017), currently payable in monthly installments of principal and interest of $920, due January, 2025.	70,382
Note payable through the Federal Home Loan Bank of San Francisco-Affordable Housing Program, in the original amount of $28,000, secured by a deed of trust on real property, non-interest bearing, principal deferred for the fifteen-year compliance period, subject to forgiveness if the property remains affordable within the Affordable Housing program regulations.	28,000
640 Westminster Avenue: 3% residual receipts note payable to the City of Los Angeles, in the original amount of $300,000, secured by a deed of trust on real property, payable in annual installments of principal and interest based on residual receipts, as defined, until all amounts have been paid in full, due January, 2034. Interest incurred during 2017 was $9,000 and as of December 31, 2017, accrued interest totaled $145,283.	300,000
650 Westminster Avenue: 3% residual receipts note payable to the County of Los Angeles, Housing Authority, in the original amount of $20,000, secured by a deed of trust on real property, payable in annual installments of principal and interest based on residual receipts, as defined, until all amounts have been paid in full, due March, 2021. Subject to forgiveness provisions of principal and accrued interest at end of the note's twenty-eight year term.	20,000
920 6th Avenue: Note payable to Chase, in the original amount of $168,000, secured by a deed of trust on real property and replacement reserve account, bearing interest at 8.21% per annum, payable in monthly installments of principal and interest of $1,257, due March, 2028.	104,336
Note payable to the City of Los Angeles, in the original amount of $46,000, secured by a deed of trust on real property, non-interest bearing, principal deferred for the twenty-year term, due August, 2018, loan extension currently in process with the City.	46,000

(5) Mortgage Notes Payable, Continued

4216 Centinela Avenue:	
3.089% adjustable rate note payable to Chase, in the original amount of $800,000, secured by a deed of trust on real property and bank reserve account, adjusting semi-annually calculated in accordance with one-year treasury constant maturity yield plus 2.2%, maximum interest rate of 11.4% (3.09% at December 31, 2017), currently payable in monthly installments of principal and interest of $3,852, due September, 2037.	680,183
Note payable to Local Initiatives Support Corporation, in the original amount of $200,000, secured by a deed of trust on real property, bearing interest at 7.25% per annum, payable in monthly installments of principal and interest of $1,581, balloon payment due October, 2017. Repayment of the unpaid loan principal and interest occurred in February, 2018.	133,146
720 Rose Avenue:	
Note payable to the City of Los Angeles, in the original amount of $175,370, secured by a deed of trust on real property, non-interest bearing and repaid with services, as defined in the loan agreement.	57,486
Note payable to the Corporation for Supportive Housing, in the original amount of $1,345,000, secured by a deed of trust on real property, bearing interest at 6% per annum which is paid monthly from lender's interest holdback reserve. All Unpaid principal and accrued interest due January, 2021. Interest incurred during 2017 was $1,357.	923,145
Unsecured predevelopment note payable to the Corporation for Supportive Housing, in the original amount of $100,000, due the earlier of the closing of acquisition-predevelopment funding or January 1, 2019. The loan bears interest at interest at 3% per annum with interest and principal deferred until maturity. Interest subject to possible forgiveness at lenders discretion.	60,000
Other:	
Note payable to Nissan Motor Acceptance Corporation, in the original amount of $28,050, secured by equipment, bearing interest at 0.9% per annum, payable in monthly installments of principal and interest of $595, due May, 2018. Repayment of the unpaid loan principal and interest occurred in May, 2018.	2,325
Note payable to the Congregation of the Sisters of Charity of the Incarnate Word, in the original amount of $250,000, unsecured, bearing interest at 1% per annum, payable in annual installments of interest only, principal and unpaid accrued interest due February, 2020.	250,000
	3,139,468
Less unamortized debt issuance costs	(11,976)
VCHC Total	3,127,492
Affordable Housing Affiliates:	
Two amortizing notes payable to various lenders, secured by deeds of trust on real property, bearing interest ranging from 4.32% to 6.28% per annum, principal and interest due date ranging from December, 2026 to March, 2028.	546,581

(5) Mortgage Notes Payable, Continued

Note payable to Sun West Mortgage Company Inc., in the original amount of $2,500,000, insured by HUD under Section 207/223(f) of the National Housing Act. The note is secured by a Multifamily deed of trust on real property, Assignment of Rents and Security agreement, bearing interest at 2.85% per annum, principal and interest payable in monthly installments of $9,413, due November 1, 2047.	2,272,146
Note payable to the City of Los Angeles, in the original amount of $750,000, secured by deed of trust on real property, non-interest bearing. The note is repaid with supportive services, as defined in the loan agreement, over a twenty-year period commencing September 1, 2012 and amortizing at a rate of $37,500 per year, due September, 2034.	546,875
Ten non-amortizing notes payable to various lenders, secured by deeds of trust on real property, interest ranging from zero to 5% per annum, some payable based on residual receipts, as defined, until all amounts have been paid in full, due date ranging from July, 2024 to December, 2069. Some notes subject to interest forgiveness provisions (note 14).	12,122,423
	15,488,025
Less unamortized debt issuance costs	(229,426)
Affordable Housing Affiliates Total	15,258,599
Total VCHC and affiliates Notes Payable	$ 18,386,091

Aggregate maturities of mortgage notes payable for the next five years are as follows:

Year Ending December 31	VCHC	Affiliates
2018	$ 301,241	$ 129,578
2019	125,548	133,422
2020	318,960	137,446
2021	1,015,841	141,664
2022	76,614	146,084
Thereafter	1,301,264	14,799,831
Total	$ 3,139,468	$ 15,488,025

The City of Los Angeles loaned VCHC $2,750,000, at 5% per annum, in acquisition and predevelopment funds for the purpose of developing affordable housing. The City allowed VCHC to subsequently loan these funds to Fourth Avenue and Washington Place. Because the funds were part of a Government grant that required the loans to remain with VCHC, the security interests for the City Loans are cross collateralized against a deed of trust on real property owned by the Limited Partnerships and against the Partnerships promissory note to VCHC.

Concurrent with the execution of the City Loans, VCHC received $2,750,000 promissory notes from the Limited Partnerships, the terms of which are identical to the loan payable to the City of Los Angeles. Proceeds due under the notes receivable will be used to offset the identical payments due under the note payable. As such, VCHC has not reflected the notes, interest income and interest expense in the financial statements. In the event of default, although all notes are nonrecourse, VCHC could become liable for the remaining amount of indebtedness, if any, not satisfied by disposition of the collateralized properties.

(5) Mortgage Notes Payable, Continued

An analysis of notes payable and accrued interest for 2017 is as follows:

	Current Portion	Non-Current Portion	Principal Balance as of 12/31/17	Accrued Interest as of 12/31/17
VCHC:				
Amortizing	$ 197,755	1,201,082	1,398,837	$ 5,983
Non-Amortizing	103,486	1,637,145	1,740,631	149,140
Subtotal VCHC	$ 301,241	2,838,227	3,139,468	$ 155,123
Less: Debt Issuance Costs			(11,976)	
Total VCHC			3,127,492	
Affordable Housing Affiliates:				
Amortizing	$ 92,078	2,726,649	2,818,727	$ 7,947
Non-Amortizing	37,500	12,631,798	12,669,298	1,026,324
Subtotal Affordable Housing Affiliates	$ 129,578	15,358,447	15,488,025	$ 1,034,271
Less: Debt Issuance Costs			(229,426)	
Total Affordable Housing Affiliates			15,258,599	

(6) Cancellation of Debt

During 2017, the $52,000 Affordable Housing Program note payable to Citibank, for the 200 Lincoln Boulevard property, was cancelled and a reconveyance of the deed of trust was issued. Accordingly, VCHC recorded income from the cancellation of debt in the accompanying Statement of Activities as of December 31, 2017.

During 2017, the Fourth Avenue Limited Partnership determined that it should make a retroactive adjustment of the accrued interest payable related to the Citibank Affordable Housing Program loan of $112,210 as the interest on the loan is only charged and payable if the property is not operated in compliance with the Federal Home Loan Bank's Affordable Housing program regulations. Management deems this contingency remote and plans to continue to meet the conditions of the Affordable Housing Program loan. As a result, the Partnership reduced the accrued interest from prior years and recorded income from the cancellation of debt in the amount of $67,502 in the accompanying Statement of Activities as of December 31, 2017.

(7) Due From Affiliates

Due from affiliates represent costs that VCHC pays on behalf of particular Affordable Housing Affiliates projects. VCHC is reimbursed for costs such as on-site managers, maintenance personnel, and certain other direct project costs paid by VCHC on behalf of the affiliates. The advances, in the amount of $80,800, are reported net of allowance for doubtful accounts. Management's estimate of the allowance is based on expected operating performance and other factors. It is possible that management's estimate of the allowance will change. Advances to projects are classified as due from affiliates on the consolidating financial statements and have been eliminated in consolidation. Such loans are unsecured and are due on demand.

(8) Capitalized Costs

Costs incurred to obtain low-income housing tax credits, as well as certain leasing start-up and monitoring costs of the Organization have been capitalized and are being amortized as follows:

		Affiliates
Marketing and Tax Credit Fees	1 to 10 years	$ 51,936
Monitoring Fees	15 years	7,935
Land Lease Costs	53 years	68,333
		128,204
Less: Accumulated Amortization		(55,803)
Net Capitalized Costs		$ 72,401

Estimated amortization expense for the next five years through December 31, 2022 is $5,121 per year.

(9) Related Party Transactions

In the ordinary course of its operations, VCHC has significant related party transactions with affiliates. Such transactions provide a substantial amount of funding in connection with the development of low-income affordable housing projects.

VCHC earns developer fees, management fees, tenant resident service fees, and accounting fees in connection with services rendered to the affiliated entities under various terms and provisions as defined by each affiliated entity.

Partnership Management & Developer Fees

All development fee revenue is earned in connection with affiliated entities. Development fees which are paid from operating cash flows from the affiliated entities are eliminated in consolidation. Some of these fees are required to be deferred and paid from cash flows of the related property operations.

All of the partnership management, asset management, bookkeeping, and resident service fee income earned by VCHC is related to services provided to the affiliated entities. In general, VCHC, as General Partner for the limited partnerships receives these management fees under various terms and provisions as defined by each partnership. Such fees from the affiliated entities are eliminated in consolidation

(10) Restrictions on Net Assets

Temporarily restricted net assets at December 31, 2017 are available for the following purposes:

Community development programs	$ 60,357
General operating	190,000
Total	$ 250,357

(11) Retirement Plan

Employees may participate in an Internal Revenue Code section 403(b) retirement savings plan, established by VCHC. The plan is funded solely by employee contributions to the plan, pursuant to a salary reduction agreement. All employee contributions are immediately vested.

(12) Functional Expenses

Functional expenses for 2017 are allocated as follows:

Program Services	$ 4,304,796
Management and General	647,780
Fundraising	206,470
Total	$ 5,159,046

(13) Guarantees

VCHC, as the Co-General Partner in the affiliated VCHC Gateway, L.P., has entered into certain guarantees with the Investor Limited Partner regarding construction completion, initial operating and tax credit guaranties, as defined in the Partnership Agreement, including the following:

Operating Deficit Guaranty

In general, VCHC is required to advance funds in the form of non-interest bearing loans or equity to meet any operating deficits that may arise during the initial operating period of the project for various lengths of time, as defined in the limited partnership agreements. The potential obligation, which is not funded from the project's operating reserves, is limited to $105,000.

Credit Recapture Guaranty

In the event of a recapture of tax credits received by an investor limited partner, VCHC shall be obligated to reimburse the investor limited partner for any recaptured credits plus any related penalties, interest or additional taxes due. VCHC is not obligated to reimburse if the recapture is due to a change in law or actions by the limited partners. As of December 31, 2017, no amounts were due under this guaranty.

(14) Commitments and Contingent Liabilities

VCHC:

VCHC leases storage space on a month-to-month basis at the rate of $1,600 per month. Rent expense for this operating lease totaled $19,294 for the year ended December 31, 2017.

VCHC also leases office equipment under various operating lease agreements. Gross monthly minimum lease payments are $651 through December, 2018 and then $186 through December, 2019. Equipment rental expense for the year ended December 31, 2017 approximated $12,000.

Mortgage note payable - A development agreement between VCHC and the County of Los Angeles provides for forgiveness of principal and interest on the 650 Westminster Avenue residual receipts note payable (see note 5) if certain conditions are met. These include that the related property is operated and maintained as low-income housing over the term of the loan, and that VCHC complies with various other provisions of the agreement. In the event that the property is not maintained as low-income housing, or if there are other material violations of the development agreement, the mortgage note and accrued interest become immediately due and payable. Although this is a possibility, management deems the contingency remote and plans to meet the conditions as set forth in the provisions of the development agreement. Accordingly, VCHC does not accrue interest on the note payable in the financial statements. At December 31, 2017, the cumulative amount of unpaid interest on the note that could be due if provisions were not met approximated $14,000.

(14) Commitments and Contingent Liabilities, Continued

VCHC:

A regulatory agreement between VCHC and the City of Los Angeles provides for the repayment of the original $175,370 mortgage note payable on 718-20 Rose Avenue property based on VCHC furnishing services, as stipulated in the agreement, over the term of the loan. In the event there is a material violation of the agreement the balance of the loan becomes immediately due and payable at the option of the lender. The outstanding loan balance as of December 31, 2017 totaled $57,486.

VCHC's participation in the Affordable Housing Affiliate limited partnerships results in contingent liabilities. Pursuant to the terms of the partnership agreements, the limited partners are responsible only for initial capital contributions. As a result, VCHC may be required to arrange for additional funds related to any rehabilitation or operating needs of the partnerships. VCHC may also be subject to other liabilities of the partnerships if the partnership's assets should become insufficient to meet their obligations. In the opinion of management, the future revenues and the value of underlying assets of these partnerships will be sufficient to meet their obligations.

The properties owned and operated by the Organization are typically developed using monies provided by restrictive, low-interest rate, loans. The terms of these loans restrict the use of the property and generally require that it be rented to low-income qualified tenants for the period of the related loan term. Failure to comply with the terms of the loans would result in a requirement to repay a portion or the entire amount of proceeds received.

Affordable Housing Affiliates:

Forgivable Interest

Certain Affordable Housing Affiliates have entered into loans which contain terms that limit the amount of accrued but unpaid interest that may be payable. Generally, accrued but unpaid interest as of the time the loan is due shall be payable only to the extent the fair market value of the Project's property exceeds the principal balance of the loan plus the principal balance of any debt senior to the loan.

Due to this contingency, interest has not been accrued because the future fair market value of the property at loan maturity is not expected to be sufficient. The following is a schedule of contingent interest that could be due if the fair market value of the property is sufficient (see promissory note details below):

Fourth Avenue Limited Partnership	$ 1,249,000
Navy Blue Apartments Limited Partnership	503,000
12525 Washington Place Limited Partnership	1,334,000
Total	$ 3,086,000

Fourth Avenue

A loan agreement between the Fourth Avenue, VCHC, and the City of Los Angeles provides for possible forgiveness of interest on the mortgage note payable of $1,250,000. At the end of the note's forty-year term, accrued interest will be due and payable only if the fair market value of the property (as defined) exceeds the principal balance of the note plus all superior indebtedness secured against the property. Due to this contingency, interest on the note has not been accrued in the financial statements because the future fair market value of the property at loan maturity is not expected to be sufficient. At December 31, 2017, Fourth Avenue is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated $1,249,000, if the fair market value of the property is sufficient.

(14) Commitments and Contingent Liabilities, Continued

Navy Blue

A regulatory agreement between Navy Blue and the City of Los Angeles provides for possible forgiveness of interest on the mortgage note payable of $692,000. At the end of the note's thirty-year term, accrued interest will be due and payable only to the extent the fair market value of the property (as defined) exceeds the principal balance of the note plus all superior indebtedness secured against the property. Due to this contingency, interest on the note has not been accrued in the financial statements because the future fair market value of the property at loan maturity is not expected to be sufficient. At December 31, 2017 Navy Blue is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated $503,000, if the fair market value of the property is sufficient.

The deferral provisions as stipulated in the regulatory agreements for the above loans remain in effect only as long as the properties are operated and maintained as low-income housing and the Partnerships' comply with various other provisions of the agreements. In the event that the properties are not maintained as low-income housing, or if there are other material violations of the regulatory agreements the mortgage notes become due and payable. Although this is a possibility, management deems the contingency remote and plans to meet the conditions as set forth in the provision of the regulatory agreements.

Washington Place

A loan agreement between Washington Place, VCHC and the City of Los Angeles provides for possible forgiveness of interest on the mortgage note payable of $1,500,000. At the end of the note's thirty-year term, accrued interest will be due and payable only if the fair market value of the property (as defined) exceeds the principal balance of the note plus all superior indebtedness secured against the property. Due to this contingency, interest on the note has not been accrued in the financial statements because the future fair market value of the property at loan maturity is not expected to be sufficient. At December 31, 2017, the Organization is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated $1,334,000, if the fair market value of the property is sufficient.

Horizon

VCHC was awarded a recoverable subsidy grant from the City of Los Angeles Housing Authority, under the Shelter Plus Care program, totaling $1,133,220 in connection with the rental operations at the Horizon housing project. The subsidy is disbursed over a five-year period that began in 2011. Under the terms of the contract, VCHC must provide tenants with supportive services in an amount equal to or greater than the amount of the rental subsidies received. Revenue from the subsidy is passed through to Horizon and is included in rental income in the accompanying consolidated financial statements.

Horizon received a contingent grant in the amount of $250,000 from the County of Los Angeles CDC, under its Emergency Shelter Funds program, for costs associated with the rehabilitation of the Horizon housing project. The grant is repayable only if in default with the 15 year grant agreement. Although this is a possibility, management deems the contingency remote and plans to meet the conditions as set forth in the provisions of the grant agreement.

(15) Board Designated Net Assets

The Board of Directors has designated $20,000 of net assets for VCHC operating reserves. Board designations do not meet the criteria for being classified as restricted net assets. Board designations are not donor-imposed restrictions and are subject to change at the Board's discretion.

(16) Subsequent Events

In June 2018, VCHC and a co-borrower obtained a predevelopment loan with Corporation for Supportive Housing, in the amount of $3,273,000, for predevelopment costs of a 140 unit project in Venice, California. The loan is secured by a deed of trust on the real property located at 511 Brooks Avenue, bearing interest at 6% per annum, paid monthly from lender's interest holdback reserve. All unpaid principal and accrued interest is due the earlier of the receipt of construction financing or December, 2021.

Concurrent with the execution of the loan from the Corporation for Supportive Housing, loan proceeds were used to repay in full the $70,382 mortgage note payable to Chase bank for 511 Brooks Avenue and the $60,000 predevelopment note payable to the Corporation for Supportive Housing for 720 Rose Avenue.

In February 2018, VCHC executed a loan with Local Initiatives Support Corporation to be used for the rehabilitation of properties located at 4216 Centinela Avenue and 200 Lincoln Boulevard, and the refinancing of the existing debt thereon. The $1,710,279 loan is secured by a deed of trust, bearing interest at the rate of 5.25% per annum, with interest only paid monthly through March, 2019. Thereafter, monthly installment of principal and interest due beginning April 1, 2019, over a period of nineteen years, all outstanding principal and unpaid interest due March, 2038.

Concurrent with the execution of the loan from the Local Initiatives Support Corporation, loan proceeds were used to repay in full the $408,465 mortgage note payable to Citibank for 200 Lincoln Boulevard, the $680,183 mortgage note payable to Chase bank and the $133,146 original mortgage note payable to Local Initiatives Support Corporation for 4216 Centinela Avenue.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidating Statement of Financial Position

December 31, 2017

Schedule 1

	Venice Community Housing Corporation excluding Affiliates	Affiliates	Elimination Adjustments	Venice Community Housing Corporation
Assets				
Cash and equivalents	$ 1,293,008	363,322	-	$ 1,656,330
Restricted cash and reserves	1,063,401	2,405,306	-	3,468,707
Government contracts receivable	196,030	-	-	196,030
Grants receivable	44,256	-	-	44,256
Accounts receivable, net	8,145	99,279	-	107,424
Prepaid expenses	13,472	18,027	-	31,499
Land	2,664,269	6,380,489	-	9,044,758
Buildings and improvements	4,271,107	17,827,068	(100,000)	21,998,175
Equipment and furniture	320,044	385,214	-	705,258
Accumulated depreciation	(2,760,702)	(5,761,330)	7,500	(8,514,532)
Net Property	4,494,718	18,831,441	(92,500)	23,233,659
Real estate under development	518,903	-	-	518,903
Financing costs, net	-	72,401	-	72,401
Due from affiliates	80,008	2,604	(82,612)	-
Deposits	9,214	9,710	-	18,924
Total assets	$ 7,721,155	21,802,090	(175,112)	$ 29,348,133
Liabilities and Net Assets				
Accounts payable	$ 80,618	58,574	-	$ 139,192
Construction costs payable	101,914	-	-`	101,914
Accrued payroll and vacation	146,157	-	-	146,157
Prepaid rent	33,293	56,433	-	89,726
Deferred revenue	56,557	-	-	56,557
Due to VCHC	-	327,099	(327,099)	-
Accrued interest payable	155,123	1,034,271	-	1,189,394
Notes payable	3,127,492	15,258,599	-	18,386,091
Tenant deposits	61,188	119,953	-	181,141
Total liabilities	3,762,342	16,854,929	(327,099)	20,290,172
Net Assets:				
Unrestricted	3,688,456	4,947,161	151,987	8,787,604
Unrestricted, board designated	20,000	-	-	20,000
Total unrestricted net assets	3,708,456	4,947,161	151,987	8,807,604
Temporarily restricted	250,357	-	-	250,357
Total Net Assets	3,958,813	4,947,161	151,987	9,057,961
Total Liabilities and Net Assets	$ 7,721,155	21,802,090	(175,112)	$ 29,348,133

See accompanying auditor’s report.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidating Statement of Activities

Year ended December 31, 2017

Schedule 2

	Venice Community Housing Corporation excluding Affiliates	Affiliates	Elimination Adjustments	Venice Community Housing Corporation
Changes in unrestricted net assets:				
Revenue & Support:				
Contributions and grants	$ 895,637	-	-	$ 895,637
Government grants	586,250	75,000	-	661,250
Partnership developer fees	22,818	-	-	22,818
Program service	60,000	-	-	60,000
Rental income	908,348	1,752,606	-	2,660,954
Partnership mgmt and tenant svrcs fees	712,187	-	(712,187)	-
Cancellation of debt	52,000	67,502	-	119,502
Other income	7,857	268	-	8,125
Interest income	1,707	2,286	-	3,993
Total unrestricted revenue	3,246,804	1,897,662	(712,187)	4,432,279
Net assets released from restrictions:				
Satisfaction of program restrictions	158,182	-	-	158,182
Total unrestricted revenue and support	3,404,986	1,897,662	(712,187)	4,590,461
Expenses:				
Salaries, benefits, taxes	1,951,044	391,357	(285,241)	2,057,160
Consultants	36,015	1,074	(1,074)	36,015
Job training and supplies	51,169	-	-	51,169
Education and after school programs	62,891	-	-	62,891
Rent	19,294	-	-	19,294
Legal & accounting	26,217	82,770	(15,686)	93,301
Office and administration	111,227	83,096	(10,641)	183,682
Conference, training & travel	43,944	-	-	43,944
Management and tenant service fees	-	225,763	(199,427)	26,336
Fundraising & outreach	98,531	-	-	98,531
Maintenance & repairs	220,246	400,313	(97,061)	523,498
Utilities	132,806	185,780	-	318,586
Insurance	254,816	144,086	(83,163)	315,739
Property tax and license and fees	15,385	199,914	(155)	215,144
Interest	101,193	371,900	-	473,093
Depreciation & amortization	159,732	483,431	(2,500)	640,663
Total expenses	3,284,510	2,569,484	(694,948)	5,159,046
Increase (decrease) in unrestricted net assets	120,476	(671,822)	(17,239)	(568,585)
Change in temp. restricted net assets:				
Contributions and grants	231,613	-	-	231,613
Net assets released from restriction	(158,182)	-	-	(158,182)
Increase in temp. restricted net assets	73,431	-	-	73,431
Total increase (decrease) in net assets	193,907	(671,822)	(17,239)	(495,154)
Other changes in net assets:				
Partner capital contributions, net	-	285,779	70,865	356,644
Net assets at beginning of year	3,764,906	5,333,204	98,361	9,196,471
Net assets at end of year	$ 3,958,813	4,947,161	151,987	$ 9,057,961

See accompanying auditor's report.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidating Statement of Cash Flows

Year ended December 31, 2017

Schedule 3

	Venice Community Housing Corporation excluding Affiliates	Affiliates	Elimination Adjustments	Venice Community Housing Corporation
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	$ 193,907	(671,822)	(17,239)	$ (495,154)
Adjustments to reconcile change in net assets to cash flow from operating activities:				
Depreciation and amortization expense	159,732	483,431	(2,500)	640,663
Amortization of debt issuance costs	1,283	7,508	-	8,791
Provision for uncollectible refund receivable	-	107,284	-	107,284
Cancellation of debt	(52,000)	(142,502)	-	(194,502)
Decrease (Increase) in Operating Assets:				
Tenant security deposits	(47)	(504)	-	(551)
Government contracts receivable	(17,584)	-	-	(17,584)
Accounts receivable	(2,434)	(49,407)	-	(51,841)
Grants receivable	(14,762)	-	-	(14,762)
Prepaid expenses	826	7,428	-	8,254
Deposits	(1,407)	-	-	(1,407)
Increase (Decrease) in Operating Liabilities:				
Due to/from affiliates	(959)	52,085	(51,126)	-
Accounts payable and accrued expenses	3,431	(25,582)	-	(22,151)
Other liability	(20,000)	-	-	(20,000)
Prepaid rent and deferred revenue	(672)	18,438	-	17,766
Accrued interest payable	4,195	226,096	-	230,291
Tenant security deposits	3,423	1,001	-	4,424
Net cash provided by operating activities	256,932	13,454	(70,865)	199,521
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net changes in restricted cash and reserves	(722,395)	(330,454)	-	(1,052,849)
Payment for building improvements	-	(10,777)	-	(10,777)
Payment for real estate under development	(415,632)	-	-	(415,632)
Net cash used in investing activities	(1,138,027)	(341,231)	-	(1,479,258)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Partner capital contributions	-	356,644	-	356,644
Partner distributions	-	(70,865)	70,865	-
Payment of development fee payable	-	(47,818)	-	(47,818)
Proceeds from notes payable	983,145	-	-	983,145
Repayment of notes payable	(68,384)	(88,474)		(156,858)
Net cash provided by financing activities	914,761	149,487	70,865	1,135,113
Net increase (decrease) in cash	33,666	(178,290)	-	(144,624)
Cash, beginning	1,259,342	541,612	-	1,800,954
Cash, ending	$ 1,293,008	363,322	-	$ 1,656,330
Supplemental schedule of noncash investing and financing activities:				
Supplemental noncash investing and financing activities: Additional costs of rental property from capitalized interest accrual and construction costs payable	$ 103,271	-	-	$ 103,271
Supplemental disclosure of cash flow information: cash paid for interest, net of amounts capitalized	$ 95,776	138,297	-	$ 234,073

See accompanying auditor's report.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Combining Statement of Financial Position by Affiliates

December 31, 2017

Schedule 4

	Fourth Ave. Apts., L.P.	Horizon Apts., LLC	Navy Blue Apts., L.P.	VCHC Gateway, L.P.	VCHC Pacific Apts., LLC	12525 Washington Place, L.P.	Westside Housing Corporation	Combining Adjustments	Affiliates Total
Assets									
Cash and equivalents	$ 6,749	32,938	82,808	131,113	21,508	85,173	3,033	-	$ 363,322
Restricted cash and reserves	439,775	404,523	301,968	574,421	213,388	471,231	-	-	2,405,306
Accounts receivable, net	6,616	1,913	169	62,525	10,108	17,948	-	-	99,279
Prepaid expenses	-	5,299	-	2,604	10,124	-	-	-	18,027
Property and equipment	3,511,271	4,776,718	1,266,955	9,978,488	829,243	4,230,096	-	-	24,592,771
Accumulated depreciation	(2,039,401)	(351,585)	(868,574)	(399,855)	(186,112)	(1,915,803)	-	-	(5,761,330)
Financing costs, net	-	-	38,379	34,022	-	-	-	-	72,401
Due from VCHC	-	-	-	2,604	-	-	-	-	2,604
Deposits	4,470	-	650	4,200	-	390	-	-	9,710
Total assets	1,929,480	4,869,806	822,355	10,390,122	898,259	2,889,035	3,033	-	21,802,090
Liabilities and Net Assets									
Accounts payable	4,479	2,158	32,020	7,052	7,333	5,532	-	-	58,574
Prepaid rent	1,437	17,153	8,365	12,324	9,690	7,464	-	-	56,433
Due to VCHC	127,453	14,762	117,946	-	9,099	57,839	-	-	327,099
Accrued interest payable	681	641,669	-	384,655	5,396	1,870	-	-	1,034,271
Notes payable	1,547,068	4,486,731	1,068,480	4,032,901	2,135,397	1,988,022	-	-	15,258,599
Tenant deposits	18,031	18,157	10,051	22,640	29,576	21,498	-	-	119,953
Total liabilities	1,699,149	5,180,630	1,236,862	4,459,572	2,196,491	2,082,225	-	-	16,854,929
Net Assets:									
Unrestricted	230,331	(310,824)	(414,507)	5,930,550	(1,298,232)	806,810	3,033	-	4,947,161
Total Liabilities and Net Assets	$ 1,929,480	4,869,806	822,355	10,390,122	898,259	2,889,035	3,033	-	$ 21,802,090

See accompanying auditor's report.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Combining Statement of Activities by Affiliates

Year ended December 31, 2017

Schedule 5

	Fourth Ave. Apts., L.P.	Horizon Apts., LLC	Navy Blue Apts., L.P.	VCHC Gateway, L.P.	VCHC Pacific Apts., LLC	12525 Washington Place, L.P.	Westside Housing Corporation	Combining Adjustments	Affiliates Total
Changes in unrestricted net assets:									
Revenue & Support:									
Government grants	$ -	75,000	-	-	-	-	-	-	$ 75,000
Rental income	300,155	242,835	165,287	286,215	385,352	372,762	-	-	1,752,606
Partnership mgmt fees	-	-	-	-	-	-	9,394	(9,394)	-
Cancellation of debt	67,502	-	-	-	-	-	-	-	67,502
Other income	125	-	-	-	143	-	-	-	268
Interest income	285	664	200	7	705	425	-		2,286
Total unrestricted revenue	368,067	318,499	165,487	286,222	386,200	373,187	9,394	(9,394)	1,897,662
Expenses:									
Salaries, benefits, taxes	97,413	53,792	36,748	51,370	66,395	85,639	-	-	391,357
Consultants	-	-	172	-	498	404	-	-	1,074
Legal & accounting	14,870	13,375	12,201	15,016	9,613	16,880	815	-	82,770
Office and administration	18,143	9,344	4,372	25,953	5,333	19,059	892	-	83,096
Management & tenant services	20,673	40,635	47,515	80,852	-	37,982	7,500	(9,394)	225,763
Maintenance & repairs	144,577	38,105	38,171	54,727	54,908	69,825	-	-	400,313
Utilities	38,607	22,480	15,184	18,706	45,324	45,479	-	-	185,780
Insurance	30,662	19,736	15,584	11,004	37,391	29,709	-	-	144,086
Property tax and license and fees	20,677	8,938	1,006	16,652	136,783	15,858	-	-	199,914
Interest	12,214	120,446	11,294	133,593	69,963	24,390	-	-	371,900
Depreciation & amortization	66,710	55,248	25,381	225,159	39,083	71,850	-	-	483,431
Total expenses	464,546	382,099	207,628	633,032	465,291	417,075	9,207	(9,394)	2,569,484
Increase (decrease) in unrestricted net assets	(96,479)	(63,600)	(42,141)	(346,810)	(79,091)	(43,888)	187	-	(671,822)
Other changes in net assets:									
Partner capital contribution (distribution)	-	-	-	356,644	(70,865)	-	-	-	285,779
Net assets at beginning of year	326,810	(247,224)	(372,366)	5,920,716	(1,148,276)	850,698	2,846	-	5,333,204
Net assets at end of year	$ 230,331	(310,824)	(414,507)	5,930,550	(1,298,232)	806,810	3,033	-	$ 4,947,161

See accompanying auditor's report.