

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Financial Statements
(With Single Audit Reports Thereon)

December 31, 2014

VENICE COMMUNITY HOUSING CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Venice Community Housing Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Venice Community Housing Corporation (a California nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Venice Community Housing Corporation as of December 31, 2014, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of Venice Community Housing Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Venice Community Housing Corporation's internal control over financial reporting and compliance.



Los Angeles, CA
September 30, 2015

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Financial Position

December 31, 2014

ASSETS

Cash	\$	1,566,604
Restricted cash (note 9)		2,012,504
Investments (note 4)		201,664
Government contracts receivable (note 2)		121,582
Grants receivable		193,803
Accounts receivable		127,695
Prepaid expenses		19,762
Property, at cost (note 2):		
Land		6,819,825
Buildings and improvements		14,273,865
Equipment and furniture		571,915
Less: accumulated depreciation		<u>(6,869,562)</u>
Net Property		<u>14,796,043</u>
Real estate under development (note 5)		3,673,563
Capitalized costs, net of accumulated amortization (note 3)		269,341
Deposits		<u>10,766</u>
Total Assets	\$	<u>22,993,327</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$	184,400
Accrued vacation		63,996
Accrued payroll		41,385
Prepaid rent		8,794
Construction cost payable		218,363
Short-term loan payable		21,476
Accrued interest payable		567,925
Mortgage notes payable (notes 6 and 10)		17,090,183
Tenant security deposits		156,736
Commitments and contingencies (note 10)		<u> </u>
Total Liabilities		<u>18,353,258</u>
Net Assets:		
Unrestricted net assets		3,882,060
Unrestricted, controlling interest in limited partnerships and LLC's		(3,386)
Unrestricted, non-controlling interest in limited partnerships (note 2)		<u>336,690</u>
Total unrestricted net assets		4,215,364
Temporarily restricted (note 8)		<u>424,705</u>
Total Net Assets		<u>4,640,069</u>
Total Liabilities and Net Assets	\$	<u>22,993,327</u>

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Activities

Year ended December 31, 2014

Changes in unrestricted net assets:	
Revenues and Support:	
Contributions and grants	\$ 552,598
Government contracts	910,214
Program service	43,343
Rental income	2,328,110
Developer fees	160,641
Gain on disposal of fixed assets	14,693
Other income	2,828
Interest income	<u>2,899</u>
Total unrestricted revenue	4,015,326
Net assets released from restrictions:	
Satisfaction of program restrictions	<u>74,949</u>
Total unrestricted revenue and other support	<u>4,090,275</u>
Expenses:	
Salaries	1,635,448
Payroll taxes	143,054
Employee benefits	109,757
Consultants	32,835
Job training and supplies	140,248
Education and after school programs	50,331
Rent	14,562
Legal and accounting	88,106
Office and administration	145,592
Conference, training & travel	50,528
Fundraising and outreach	58,411
Maintenance and repairs	387,095
Utilities	247,365
Insurance	297,527
Property tax and license	42,899
Real estate development	12,500
Interest	394,647
Depreciation and amortization	<u>423,553</u>
Total expenses	<u>4,274,458</u>
Decrease in unrestricted net assets	<u>(184,183)</u>
Changes in temporarily restricted net assets:	
Contributions and grants	353,864
Net assets released from restrictions	<u>(74,949)</u>
Increase in temporarily restricted net assets	<u>278,915</u>
Increase in net assets	\$ <u>94,732</u>
Change in net assets attributable to non-controlling interest	\$ -
Change in net assets attributable to controlling interest	<u>94,732</u>
	\$ <u>94,732</u>

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION
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Consolidated Statement of Changes in Net Assets

Year ended December 31, 2014

Changes in Net Assets:

Net assets, unrestricted at January 1, 2014	\$ 4,062,857
Capital contribution	336,690
Changes in unrestricted net assets	<u>(184,183)</u>
Net assets, unrestricted at December 31, 2014	\$ <u>4,215,364</u>
Net assets, temporarily restricted at January 1, 2014	\$ 145,790
Changes in temporarily restricted net assets	<u>278,915</u>
Net assets, temporarily restricted at December 31, 2014	\$ <u>424,705</u>
Total net assets at December 31, 2014	\$ <u>4,640,069</u>

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Cash Flows

Year ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 94,732
Adjustments to reconcile change in net assets to cash flow from operating activities:	
Depreciation and amortization expense	423,553
Cancellation of debt income	(37,500)
Gain on disposal of fixed assets	(14,693)
Decrease (Increase) in Operating Assets:	
Tenant security deposits	(23)
Government contracts receivable	28,639
Accounts receivable	(62,354)
Grants receivable	(116,107)
Prepaid expenses	(6,430)
Deposits	(1,042)
Increase (Decrease) in Operating Liabilities:	
Accounts payable and accrued expenses	(18,191)
Other liability	476
Prepaid rent	6,538
Accrued interest payable	120,017
Tenant security deposits	<u>(9,254)</u>
Net cash provided by operating activities	<u>408,361</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in property reserves and deposits	(104,183)
Purchase of investments	(289)
Payments for building and improvements	(76,191)
Payments for equipment and furniture	(62,630)
Proceeds from sale of fixed assets	4,000
Payment for real estate under development	<u>(3,881,788)</u>
Net cash used in investing activities	<u>(4,121,081)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from capital contribution	336,641
Proceeds from notes payable	4,481,950
Repayment of notes payable	<u>(129,213)</u>
Net cash provided by financing activities	<u>4,689,378</u>
Net increase in cash	976,658
Cash, beginning	<u>589,946</u>
Cash, ending	\$ <u>1,566,604</u>
Supplemental disclosure of cash flow information -	
cash paid for interest, net of amounts capitalized	\$ <u>263,193</u>

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Notes to Consolidated Financial Statements

December 31, 2014

(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 plus six affordable housing entities (Affordable Housing Affiliates), 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, 2014.

<u>Affordable Housing Affiliates</u>	<u>Owner Interest</u>
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%
Westside Housing Corporation	100.00%
VCHC Gateway, L.P.	0.01%

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Notes to Consolidated Financial Statements, Continued

December 31, 2014

(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 low-income 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, maintenance and operations of the property.

12525 Washington Place, L.P., (Washington Place) is a California limited partnership. The initial 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., is a California limited partnership. The initial Partnership was formed in September, 2014, for the purpose of acquiring, developing an affordable rental housing development for low income persons with related amenities located in Los Angeles, California. 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.

Non-Controlling Interest in Limited Partnerships

Non-controlling interest in limited partnerships' represent the aggregate balance of investor limited partner equity interest in the non-wholly-owned affiliated Affordable Housing Affiliates that are included in the consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION
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Notes to Consolidated Financial Statements, Continued

December 31, 2014

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition

The Organization follows provisions of FASB *ASC 958-605-25, Revenue Recognition*. In accordance with this provision VCHC reports gifts of cash 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. Rental income is recognized for apartment rentals as it accrues. 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. Fees earned are eliminated in consolidation.

General support received under grants is recorded when unconditionally promised by the grantor.

Contracts

Revenue from contracted services are classified as exchange transactions and recognized as support in accordance with the terms of the contract. Funds received for services not yet earned are reported as deferred revenue in the consolidated financial statements.

Accounts Receivable

VCHC does not maintain an allowance for estimated uncollectible amounts because trade receivables primarily consist of government contract reimbursement requests and rent due from government agency subsidies. Management believes all receivables to be collectible at December 31, 2014. Accounts receivable of Affordable Housing Affiliates are reported net of an allowance for estimated uncollectible amounts. It is reasonably possible that management's estimate of the allowance will change.

Developer Fees

VCHC is jointly responsible for the development of VCHC Gateways, L.P., 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. The development fees are recognized as revenue commencing with the closing of the Project's construction financing in accordance with the developer fee agreement. Due to the timing and contingent nature of determining the final developer fee owed, CBH recognizes the fee primarily based on the cash basis of accounting.

In the event that a portion, or all, of the development fee is not paid at the end of the development period, the deferred development fee is generally assumed to be paid from future project cash flow. Development fees that are earned during the development period and paid for with investor equity or project financing are capitalized by the limited partnerships and recognized as revenue by the Organization. Any deferred development fees paid from project operations are eliminated in consolidation. Total developer fees earned and recognized from VCHC Gateways, L.P., approximated \$160,000 during 2014.

Investments

Investments are reported at their fair value in the statement of financial position in accordance with *Not-for-Profit Entities* topic of the FASB Accounting Standards Codification. Investment income or losses (including interest, dividends, realized and unrealized gains or losses on investments) are included in the statement of activities as increases or decreases in unrestricted assets unless the income or loss restricted by explicit donor stipulations or by law.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Notes to Consolidated Financial Statements, Continued

December 31, 2014

(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, 2014, no rent 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.

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.

Cash paid for the following as of December 31, 2014:

Income taxes: None

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.

Depreciable and Amortizable Assets

Land, building and improvements are recorded at cost. Improvements are capitalized, while expenditures of \$1,000 or less are charged to expense. 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. The estimated service life of the assets for depreciation purposes may be different than their actual economic useful lives.

	<u>Estimated Life</u>
Land	-
Building and improvements	30 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 2014.

VENICE COMMUNITY HOUSING CORPORATION
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Notes to Consolidated Financial Statements, Continued

December 31, 2014

(2) Summary of Significant Accounting Policies, Continued

Amortization

Mortgage costs are being amortized over the term of the mortgage loan and land lease 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.

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. Accordingly, no provision for income taxes has been made in these financial statements. However, VCHC could be subject to Federal and California tax on unrelated business income, if any, as stipulated in IRC Section 511.

Management has determined that the application of FASB *Accounting Standards Codification (ASC) 740, Accounting for Uncertainty In Income Taxes*, does not impact the operations of the Organization, as under current Federal and state laws, VCHC is not subject to income taxes; therefore, no provision has been made for taxes in the accompanying financial statements. Management believes that VCHC has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.

The Affordable Housing Affiliates are not taxpaying entities as under current Federal and state laws, as these pass-through entities are generally not subject to income taxes; therefore, no provision has been made for taxes in the accompanying consolidated financial statements. For tax purposes, income or loss is includable in the tax returns of the individual members or partners.

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, 2014, 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.

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, 2014 the uninsured balances approximate \$413,000 based on actual bank balances. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2014.

The Organization's revenues are derived from several sources. Approximately 21% of revenue is from contributions and grants from non-governmental sources, 21% from fees charged to government agencies, and 53% 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. 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.

VENICE COMMUNITY HOUSING CORPORATION
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Notes to Consolidated Financial Statements, Continued

December 31, 2014

(2) Summary of Significant Accounting Policies, Continued

Fair Value Measurements

The carrying amount of the Organizations' 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.

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.

Subsequent Events

The Organization has evaluated subsequent events that have occurred from December 31, 2014 through September 30, 2015, which is the date that the consolidated financial statements were 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 (see note 11).

(3) Capitalized Costs

Costs incurred to obtain financing as well as certain other costs of the Organization have been capitalized and are being amortized as follows:

		<u>VCHC</u>	<u>Affiliates</u>	<u>Total</u>
Financing Costs	10 to 55 years	\$ 35,038	244,530	\$ 279,568
Land Lease Costs	53 years	<u>-</u>	<u>68,333</u>	<u>68,333</u>
		35,038	312,863	347,901
Less: Accumulated Amortization		<u>(18,715)</u>	<u>(59,845)</u>	<u>(78,560)</u>
Net Capitalized Costs		\$ <u>16,323</u>	<u>253,018</u>	\$ <u>269,341</u>

Estimated amortization expense for the next five years and thereafter is as follows:

<u>Year Ending</u> <u>December 31</u>	<u>VCHC</u>	<u>Affiliates</u>	<u>Total</u>
2015	\$ 1,553	7,941	\$ 9,494
2016	1,511	7,941	9,452
2017	1,283	7,941	9,224
2018	950	7,941	8,891
2019	950	7,941	8,891
Thereafter	<u>10,076</u>	<u>213,313</u>	<u>223,389</u>
Total	\$ <u>16,323</u>	<u>253,018</u>	\$ <u>269,341</u>

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Notes to Consolidated Financial Statements, Continued

December 31, 2014

(4) Investments

Fourth Avenue maintains a short-term investment totaling \$63,745 in the form of a certificate of deposit. The certificate carries an interest rate of 0.13% and matures in June, 2016.

Navy Blue maintains a short-term investment totaling \$84,962 in the form of a certificate of deposit. The certificate carries an interest rate of 0.13%. In 2015 the Project withdrew \$25,000 from the certificate, and the remaining balance in the certificate of deposit matures in June, 2016.

Washington Place maintains a short-term investment totaling \$52,957 in the form of a certificate of deposit. The certificate carries an interest rate of 0.13% and matures in June, 2016.

The components of interest and investment income for 2014 is as follows:

Interest income	\$ 2,899
Investment fees	<u> -</u>
Total	\$ <u>2,899</u>

(5) Real Estate Under Development

Development costs are those capitalized costs that VCHC pays on behalf of particular affordable housing projects currently wholly-owned by VCHC prior to their being placed in service. The funding for such costs are provided by acquisition, predevelopment and construction loans.

(6) Mortgage Notes Payable

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

VCHC

200 Lincoln Boulevard:

First trust deed - 7.26% adjustable rate bank note payable, in the original amount of \$600,000, 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. \$ 463,766

Note payable to Citibank, secured by a deed of trust on real property, in the original amount of \$52,000, non-interest bearing, principal deferred for the fifteen-year term, due October, 2015, subject to forgiveness if the property remains affordable within the Federal Home Loan Bank's Affordable Housing program regulations. 52,000

5032 South Slauson Avenue:

Non-interest bearing deferred bank note payable through the Federal Home Loan Bank of San Francisco-Affordable Housing Program in the original amount of \$56,000, subject to possible forgiveness provisions of the principal at the end of the compliance period. 56,000

511 Brooks Avenue:

First trust deed - 3.086% adjustable rate bank note payable, in the original amount of \$195,000, calculated monthly in accordance with the 11th district cost of funds, maximum interest rate of 11.70%, currently payable in monthly installments of principal and interest of \$923, due January, 2025. 95,867

VENICE COMMUNITY HOUSING CORPORATION
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Notes to Consolidated Financial Statements, Continued

December 31, 2014

(6) Mortgage Notes Payable, Continued

Second trust deed non-interest bearing deferred bank note payable through the Federal Home Loan Bank of San Francisco - Affordable Housing Program, in the original amount of \$28,000, subject to possible forgiveness provisions of the principal at the end of the compliance period. 28,000

640 Westminster Avenue:

3% residual receipts note payable to the City of Los Angeles, in the original amount of \$300,000, 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 2014 was \$9,000 and as of December 31, 2014, accrued interest totaled \$151,128. 300,000

650 Westminster Avenue:

First trust deed - 3% residual receipts note payable to the County of Los Angeles, Housing Authority, in the original amount of \$20,000, 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 annual forgiveness provisions of annual principal over the note's twenty-eight year term, and forgiveness of accrued interest at note maturity. 20,000

920 6th Avenue:

First trust deed - bank note payable, in the original amount of \$168,000, also secured by a replacement reserve account security interest, bearing interest at 8.21% per annum, payable in monthly installments of principal and interest of \$1,257, due March, 2028. 121,629

Note payable to the City of Los Angeles, in the original amount of \$46,000, secured by a deed of trust, non-interest bearing, principal deferred for the twenty-year term, due August, 2018. 46,000

4216 Centinela Avenue:

First trust deed - 6.4% adjustable bank note payable, in the original amount of \$800,000, also secured by a replacement reserve account security interest, fixed interest rate until September 2017, then adjusting semi-annually calculated in accordance with one-year treasury constant maturity yield plus 2.2%, maximum interest rate of 11.4%, currently payable in monthly installments of principal and interest of \$5,004, due September, 2037. 725,225

Second trust deed - note payable to Local Initiatives Support Corporation, in the original amount of \$200,000, bearing interest at 7.25% per annum, payable in monthly installments of principal and interest of \$1,581, balloon payment due August, 2017. 158,170

720 Rose Avenue:

Note payable to Nissan Motor Acceptance Corporation, in the original amount of \$28,050, bearing interest at 0.9% per annum, payable in monthly installments of principal and interest of \$595, due May, 2018. 23,466

VENICE COMMUNITY HOUSING CORPORATION
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Notes to Consolidated Financial Statements, Continued

December 31, 2014

(6) Mortgage Notes Payable, Continued

First trust deed - non-interest bearing note payable to the City of Los Angeles, in the original amount of \$175,370, repaid with services, as defined in the loan agreement. 57,486

Unsecured note payable to the Congregation of the Sisters of Charity of the Incarnate Word, in the original amount of \$200,000, bearing interest at 1% per annum, payable in annual installments of interest only, principal and unpaid accrued interest due February, 2016. 200,000

Affordable Housing Affiliates:

Two amortizing notes payable to various lenders, secured by deeds of trust on real property, bearing interest ranging from 6.28% to 6.47% per annum, principal and interest due date ranging from December, 2026 to March, 2028. 658,952

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, 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. 2,410,585

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. 621,875

Nine non-amortizing notes payable to various lenders, secured by deeds of trust on real property, interest ranging from zero to 5% per annum, 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 (see note 10). 11,051,162

Total \$ 17,090,183

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

<u>Year Ending</u> <u>December 31</u>	<u>VCHC</u>	<u>Affiliates</u>	<u>Total</u>
2015	\$ 252,313	116,917	\$ 369,230
2016	262,230	120,475	382,705
2017	199,248	124,217	323,465
2018	101,783	128,155	229,938
2019	56,938	132,301	189,239
Thereafter	<u>1,475,097</u>	<u>14,120,509</u>	<u>15,595,606</u>
Total	\$ <u>2,347,609</u>	<u>14,742,574</u>	\$ <u>17,090,183</u>

VENICE COMMUNITY HOUSING CORPORATION
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Notes to Consolidated Financial Statements, Continued

December 31, 2014

(6) Mortgage Notes Payable, Continued

In 1995, the City of Los Angeles loaned VCHC \$1,250,000, 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. Because the funds were part of a Government grant that required the loan to remain with VCHC, the security interests for the City Loan are cross collateralized against a deed of trust on real property owned by the Limited Partnership and against the Partnership promissory note to VCHC.

Concurrent with the execution of the City Loan, VCHC received a \$1,250,000 promissory note from the Limited Partnership, the terms of which are identical to the loan payable to the City of Los Angeles. Proceeds due under the note 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 Fourth Avenue collateralized property.

	<u>Current Portion</u>	<u>Non-Current Portion</u>	<u>Principal Balance as of 12/31/14</u>	<u>Accrued Interest as of 12/31/14</u>
<u>VCHC:</u>				
Amortizing	\$ 58,827	1,529,296	1,588,123	\$ 8,845
Non-Amortizing	<u>193,486</u>	<u>566,000</u>	<u>759,486</u>	<u>153,128</u>
Total VCHC	<u>252,313</u>	<u>2,095,296</u>	<u>2,347,609</u>	<u>161,973</u>
<u>Affordable Housing Affiliates:</u>				
Amortizing	79,417	2,990,120	3,069,537	9,210
Non-Amortizing	<u>37,500</u>	<u>11,635,537</u>	<u>11,673,037</u>	<u>396,742</u>
Total Affordable Housing Affiliates	<u>116,917</u>	<u>14,625,657</u>	<u>14,742,574</u>	<u>405,952</u>
Total	\$ <u>369,230</u>	<u>16,720,953</u>	<u>17,090,183</u>	\$ <u>567,925</u>

(7) Functional Expenses

Functional expenses for 2014 are allocated as follows:

Program Services	\$ 3,572,966
Management and General	500,598
Fundraising	<u>200,894</u>
Total	\$ <u>4,274,458</u>

(8) Restrictions on Net Assets

Temporarily restricted net assets at December 31, 2014 are available for the following purposes:

Community development programs	\$ 52,830
General operating	<u>371,875</u>
Total	\$ <u>424,705</u>

VENICE COMMUNITY HOUSING CORPORATION
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Notes to Consolidated Financial Statements, Continued

December 31, 2014

(9) Restricted Cash

According to various loan and other regulatory agreements, VCHC and Affiliates are required to designate a portion of their cash as restricted for the following purposes:

	<u>VCHC</u>	<u>Affiliates</u>	<u>Total</u>
Operating Reserve	\$ 28,781	586,672	\$ 615,453
Supplement Operating Reserve	-	52,932	52,932
Transition Reserve	-	211,986	211,986
Replacement Reserve	177,962	694,749	872,711
Other	59,566	27,049	86,615
Security Deposits	<u>72,060</u>	<u>100,747</u>	<u>172,807</u>
Total	\$ <u>338,369</u>	<u>1,674,135</u>	\$ <u>2,012,504</u>

(10) Commitments and Contingent Liabilities

VCHC

VCHC leases storage space on a month-to-month basis at the rate of \$1,697 per month. Rent expense for this operating lease totaled \$14,562 for the year ended December 31, 2014.

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, 2014 approximated \$10,000.

VCHC, as general partner for the Limited Partnerships described, may be subject to other liabilities of the partnerships if the partnerships' assets should become insufficient to meet their obligations. In the opinion of management, the future revenues and the value of underlying assets of the Partnerships will be sufficient to meet their obligations.

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 6) 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, 2014, the cumulative amount of unpaid interest on the note that could be due if provisions were not met approximated \$12,800.

Additionally, 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 to infant/toddlers, as stipulated in the agreement, over the term of the loan. In the event there is a violation of the agreement and the services are not rendered, the balance of the loan becomes immediately due and payable at the option of the lender.

VENICE COMMUNITY HOUSING CORPORATION
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Notes to Consolidated Financial Statements, Continued

December 31, 2014

(10) Commitments and Contingent Liabilities, Continued

Fourth Avenue

A loan agreement between the Fourth Avenue, VCHC, and the City of Los Angeles Housing Department 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, 2014, Fourth Avenue is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated \$1,064,000, if the fair market value of the property is sufficient.

The deferral provisions as stipulated in the loan agreement remain in effect only as long as the property is operated and maintained as low-income housing and the Partnership 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 loan agreement, the mortgage note becomes 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 loan agreement.

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.

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, 2014 Navy Blue is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated \$441,000, if the fair market value of the property is sufficient.

The deferral provisions as stipulated in the regulatory agreement remain in effect only as long as the property is operated and maintained as low-income housing and Navy Blue 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 regulatory agreement the mortgage note becomes 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 agreement.

VENICE COMMUNITY HOUSING CORPORATION
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Notes to Consolidated Financial Statements, Continued

December 31, 2014

(10) Commitments and Contingent Liabilities, Continued

Washington Place

A loan agreement between Washington Place, VCHC and the City of Los Angeles Housing Department 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, 2014, the Organization is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated \$1,155,000, if the fair market value of the property is sufficient.

The deferral provisions as stipulated in the loan agreement remain in effect only as long as the property is operated and maintained as low-income housing and the Partnership 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 loan agreement, the mortgage note becomes 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 loan agreement.

(11) Subsequent Events

In April, 2015, VCHC repaid \$100,000 of the \$200,000 unsecured note payable to the Congregation of the Sisters of Charity of the Incarnate Word. The remaining principal and unpaid accrued interest is due February, 2016.

VENICE COMMUNITY HOUSING CORPORATION
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Consolidating Statement of Financial Position

December 31, 2014

Schedule 1

	<u>Venice Community Housing Corporation excluding Affiliates</u>	<u>Affiliates</u>	<u>Elimination Adjustments</u>	<u>Venice Community Housing Corporation</u>
<u>Assets</u>				
Cash and equivalents	\$ 1,338,242	228,362		\$ 1,566,604
Restricted cash	338,369	1,674,135		2,012,504
Investments	-	201,664		201,664
Government contracts receivable	121,582	-		121,582
Grants receivable	192,167	1,636		193,803
Accounts receivable, net	8,905	118,841	(51)	127,695
Prepaid expenses	3,707	16,055		19,762
Property and equipment	7,151,322	14,614,283	(100,000)	21,665,605
Accumulated depreciation	<u>(2,279,764)</u>	<u>(4,589,798)</u>	<u> </u>	<u>(6,869,562)</u>
Net Property	<u>4,871,558</u>	<u>10,024,485</u>	<u>(100,000)</u>	<u>14,796,043</u>
Real estate under development	-	3,673,563		3,673,563
Financing costs, net	16,323	253,018		269,341
Due from affiliates	155,857	869	(156,726)	-
Deposits	<u>5,256</u>	<u>5,510</u>	<u> </u>	<u>10,766</u>
Total assets	<u>\$ 7,051,966</u>	<u>16,198,138</u>	<u>(256,777)</u>	<u>\$ 22,993,327</u>
<u>Liabilities and Net Assets</u>				
Accounts payable	\$ 45,802	138,598		\$ 184,400
Accrued vacation	63,996	-		63,996
Accrued payroll	41,385	-		41,385
Prepaid rent	-	8,794		8,794
Construction cost payable	-	218,363		218,363
Due to affiliates	869	295,235	(296,104)	-
Short-term loan payable	21,476	-		21,476
Accrued interest payable	161,973	405,952		567,925
Notes payable	2,347,609	14,742,574		17,090,183
Tenant deposits	<u>62,091</u>	<u>94,645</u>	<u> </u>	<u>156,736</u>
Total liabilities	<u>2,745,201</u>	<u>15,904,161</u>	<u>(296,104)</u>	<u>18,353,258</u>
Net Assets:				
Unrestricted	3,882,060	293,977	39,327	4,215,364
Temporarily restricted	<u>424,705</u>	<u> </u>	<u> </u>	<u>424,705</u>
Total Net Assets	<u>4,306,765</u>	<u>293,977</u>	<u>39,327</u>	<u>4,640,069</u>
Total Liabilities and Net Assets	<u>\$ 7,051,966</u>	<u>16,198,138</u>	<u>(256,777)</u>	<u>\$ 22,993,327</u>

See accompanying auditors' report.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidating Statement of Activities

Year ended December 31, 2014

Schedule 2

	<u>Venice Community Housing Corporation excluding Affiliates</u>	<u>Affiliates</u>	<u>Elimination Adjustments</u>	<u>Venice Community Housing Corporation</u>
Changes in unrestricted net assets:				
Revenue & Support:				
Contributions and grants	\$ 540,098	12,500		\$ 552,598
Government grants	872,714	37,500		910,214
Program service	43,343	-		43,343
Rental income	901,780	1,426,330		2,328,110
Partnership mgmt and tenant svcs fees	473,589	-	(473,589)	-
Developer fees	160,641	-		160,641
Gain on disposal of fixed assets	14,693	-		14,693
Other income	2,128	700		2,828
Interest income	<u>542</u>	<u>2,357</u>		<u>2,899</u>
Total unrestricted revenue	3,009,528	1,479,387	(473,589)	4,015,326
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>74,949</u>	<u>-</u>		<u>74,949</u>
Total unrestricted revenue and support	<u>3,084,477</u>	<u>1,479,387</u>	<u>(473,589)</u>	<u>4,090,275</u>
Expenses:				
Salaries, benefits, taxes	1,833,681	266,236	(211,658)	1,888,259
Consultants	32,835	-		32,835
Job training and supplies	140,248	-		140,248
Education and after school programs	50,331	-		50,331
Rent	14,562	-		14,562
Legal & accounting	33,567	73,865	(19,326)	88,106
Office and administration	114,419	45,079	(13,906)	145,592
Conference, training & travel	50,528	-		50,528
Management and tenant service fees	-	139,182	(139,182)	-
Fundraising & outreach	58,411	-		58,411
Maintenance & repairs	185,688	276,157	(74,750)	387,095
Utilities	107,708	139,657		247,365
Insurance	245,940	94,104	(42,517)	297,527
Property tax and license	21,339	21,979	(419)	42,899
Real estate development	12,500	-		12,500
Interest	117,762	276,885		394,647
Depreciation & amortization	<u>159,693</u>	<u>263,860</u>		<u>423,553</u>
Total expenses	<u>3,179,212</u>	<u>1,597,004</u>	<u>(501,758)</u>	<u>4,274,458</u>
Increase (decrease) in unrestricted net assets	<u>(94,735)</u>	<u>(117,617)</u>	<u>28,169</u>	<u>(184,183)</u>
Change in temp. restricted net assets:				
Contributions and grants	353,864	-		353,864
Net assets released from restriction	<u>(74,949)</u>	<u>-</u>		<u>(74,949)</u>
Increase in temp. restricted net assets	<u>278,915</u>	<u>-</u>		<u>278,915</u>
Total increase (decrease) in net assets	184,180	(117,617)	28,169	94,732
Other changes in net assets:				
Capital contribution	-	336,741	(51)	336,690
Net assets at beginning of year	<u>4,122,585</u>	<u>74,853</u>	<u>11,209</u>	<u>4,208,647</u>
Net assets at end of year	\$ <u>4,306,765</u>	<u>293,977</u>	<u>39,327</u>	\$ <u>4,640,069</u>

See accompanying auditors' report.

VENICE COMMUNITY HOUSING CORPORATION
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Consolidating Statement of Cash Flows

Year ended December 31, 2014

	Venice Community Housing Corporation <u>excluding Affiliates</u>	<u>Affiliates</u>	<u>Elimination Adjustments</u>	Schedule 3 <u>Venice Community Housing Corporation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 184,180	(117,617)	28,169	\$ 94,732
Adjustments to reconcile change in net assets to cash flow from operating activities:				
Depreciation and amortization expense	159,693	263,860		423,553
Cancellation of debt income	-	(37,500)		(37,500)
Gain on disposal of fixed assets	(14,693)	-		(14,693)
Decrease (Increase) in Operating Assets:				
Tenant security deposits	-	(23)		(23)
Government contracts receivable	28,639	-		28,639
Accounts receivable	(5,360)	(56,994)		(62,354)
Grants receivable	(116,107)	-		(116,107)
Prepaid expenses	(3,225)	8,148	(11,353)	(6,430)
Deposits	(1,042)	-		(1,042)
Increase (Decrease) in Operating Liabilities:				
Due to/from affiliates	6,280	10,536	(16,816)	-
Accounts payable and accrued expenses	(23,934)	5,743		(18,191)
Other liability	476	-		476
Prepaid rent	(935)	7,473		6,538
Accrued interest payable	8,880	111,137		120,017
Tenant security deposits	(8,454)	(800)		(9,254)
Net cash provided by operating activities	<u>214,398</u>	<u>193,963</u>	<u> </u>	<u>408,361</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Increase in property reserves and deposits	(21,967)	(82,216)		(104,183)
Purchase of investments	-	(289)		(289)
Payments for building and improvements	(29,559)	(46,632)		(76,191)
Payments for equipment and furniture	(53,850)	(8,780)		(62,630)
Proceeds from sale of fixed assets	4,000	-		4,000
Payment for real estate under development	(545,147)	(3,336,641)		(3,881,788)
Net cash used in investing activities	<u>(646,523)</u>	<u>(3,474,558)</u>	<u> </u>	<u>(4,121,081)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from capital contribution	-	336,641		336,641
Proceeds from notes payable	1,481,950	3,000,000		4,481,950
Repayment of notes payable	(53,177)	(76,036)		(129,213)
Net cash provided by financing activities	<u>1,428,773</u>	<u>3,260,605</u>	<u> </u>	<u>4,689,378</u>
Net increase (decrease) in cash	996,648	(19,990)		976,658
Cash, beginning	<u>341,594</u>	<u>248,352</u>	<u> </u>	<u>589,946</u>
Cash, ending	\$ <u>1,338,242</u>	<u>228,362</u>	<u> </u>	\$ <u>1,566,604</u>
Supplemental schedule of noncash investing and financing activities:				
Supplemental disclosure of cash flow information:				
cash paid for interest, net of amounts capitalized	\$ <u>108,740</u>	<u>154,453</u>	<u> </u>	\$ <u>263,193</u>

See accompanying auditors' report.

VENICE COMMUNITY HOUSING CORPORATION
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Combining Statement of Financial Position by Affiliates

December 31, 2014

Schedule 4

	Fourth Ave. <u>Apts., L.P.</u>	Horizon <u>Apts., LLC</u>	Navy Blue <u>Apts., L.P.</u>	VCHC <u>Pacific Apts., LLC</u>	12525 <u>Washington Place, L.P.</u>	Westside <u>Housing Corporation</u>	VCHC <u>Gateway, L.P.</u>	Combining <u>Adjustments</u>	Affiliates <u>Total</u>
<u>Assets</u>									
Cash and equivalents	\$ 21,186	13,784	27,459	112,996	47,850	5,087	-	-	\$ 228,362
Restricted cash	434,605	368,205	272,862	164,923	433,540	-	-	-	1,674,135
Investments	63,745	-	84,962	-	52,957	-	-	-	201,664
Grants receivable	-	1,636	-	-	-	-	-	-	1,636
Accounts receivable, net	710	869	249	94,846	22,067	-	100	-	118,841
Prepaid expenses	-	5,299	-	10,756	-	-	-	-	16,055
Property and equipment	3,511,271	4,776,718	1,266,955	829,243	4,230,096	-	-	-	14,614,283
Accumulated depreciation	(1,839,271)	(185,841)	(796,268)	(68,421)	(1,699,997)	-	-	-	(4,589,798)
Real estate under development	-	-	-	-	-	-	3,673,563	-	3,673,563
Financing costs, net	5,787	44,973	42,216	150,501	9,541	-	-	-	253,018
Due from Affiliates	-	-	-	869	-	-	-	-	869
Deposits	<u>4,470</u>	<u>-</u>	<u>650</u>	<u>-</u>	<u>390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,510</u>
Total assets	<u>2,202,503</u>	<u>5,025,643</u>	<u>899,085</u>	<u>1,295,713</u>	<u>3,096,444</u>	<u>5,087</u>	<u>3,673,663</u>	<u>-</u>	<u>16,198,138</u>
<u>Liabilities and Net Assets</u>									
Accounts payable	9,012	4,146	31,926	78,308	15,206	-	-	-	138,598
Prepaid rent	101	233	1,472	1,203	5,785	-	-	-	8,794
Construction cost payable	-	-	-	-	-	-	218,363	-	218,363
Due to Affiliates	69,837	9,330	74,048	-	28,709	7,500	111,408	(5,597)	295,235
Accrued interest payable	62,028	317,528	11,294	5,725	2,226	-	7,151	-	405,952
Notes payable	1,595,771	4,604,347	1,068,480	2,410,585	2,063,391	-	3,000,000	-	14,742,574
Tenant deposits	<u>18,029</u>	<u>17,675</u>	<u>8,379</u>	<u>29,139</u>	<u>21,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,645</u>
Total liabilities	<u>1,754,778</u>	<u>4,953,259</u>	<u>1,195,599</u>	<u>2,524,960</u>	<u>2,136,740</u>	<u>7,500</u>	<u>3,336,922</u>	<u>(5,597)</u>	<u>15,904,161</u>
Net Assets:									
Unrestricted	<u>447,725</u>	<u>72,384</u>	<u>(296,514)</u>	<u>(1,229,247)</u>	<u>959,704</u>	<u>(2,413)</u>	<u>336,741</u>	<u>5,597</u>	<u>293,977</u>
Total Liabilities and Net Assets	<u>\$ 2,202,503</u>	<u>5,025,643</u>	<u>899,085</u>	<u>1,295,713</u>	<u>3,096,444</u>	<u>5,087</u>	<u>3,673,663</u>	<u>-</u>	<u>\$ 16,198,138</u>

See accompanying auditors' report.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Combining Statement of Activities by Affiliates

Year ended December 31, 2014

Schedule 5

	<u>Fourth Ave.</u> <u>Apts., L.P.</u>	<u>Horizon</u> <u>Apts., LLC</u>	<u>Navy Blue</u> <u>Apts., L.P.</u>	<u>VCHC</u> <u>Pacific</u> <u>Apts., LLC</u>	<u>12525</u> <u>Washington</u> <u>Place, L.P.</u>	<u>Westside</u> <u>Housing</u> <u>Corporation</u>	<u>VCHC</u> <u>Gateway, L.P.</u>	<u>Combining</u> <u>Adjustments</u>	<u>Affiliates</u> <u>Total</u>
Changes in unrestricted net assets:									
Revenue & Support:									
Contributions and grants	\$ -	12,500	-	-	-	-	-	\$ 12,500	
Government grants	-	37,500	-	-	-	-	-	37,500	
Rental income	291,358	225,061	162,669	382,593	364,649	-	-	1,426,330	
Partnership mgmt fees	-	-	-	-	-	3,000	-	-	
Other income	602	-	-	98	-	-	-	700	
Interest income	<u>474</u>	<u>379</u>	<u>351</u>	<u>660</u>	<u>493</u>	<u>-</u>	<u>-</u>	<u>2,357</u>	
Total unrestricted revenue	<u>292,434</u>	<u>275,440</u>	<u>163,020</u>	<u>383,351</u>	<u>365,142</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u> <u>1,479,387</u>	
Expenses:									
Salaries, benefits, taxes	96,974	42,294	34,422	22,148	70,398	-	-	266,236	
Legal & accounting	14,453	17,611	14,280	10,013	16,643	865	-	73,865	
Office and administration	16,806	10,113	3,993	3,523	9,844	800	-	45,079	
Management & tenant services	18,473	43,066	43,952	-	34,788	7,500	-	(8,597) 139,182	
Maintenance & repairs	78,165	38,055	31,544	39,630	88,763	-	-	276,157	
Utilities	33,421	13,699	12,675	34,153	45,709	-	-	139,657	
Insurance	24,187	13,164	9,310	26,199	21,244	-	-	94,104	
Property tax and license	6,011	2,622	959	6,845	5,522	20	-	21,979	
Interest	18,852	119,474	11,294	69,274	57,991	-	-	276,885	
Depreciation & amortization	<u>67,142</u>	<u>56,117</u>	<u>25,381</u>	<u>43,888</u>	<u>71,332</u>	<u>-</u>	<u>-</u>	<u>263,860</u>	
Total expenses	<u>374,484</u>	<u>356,215</u>	<u>187,810</u>	<u>255,673</u>	<u>422,234</u>	<u>9,185</u>	<u>-</u>	<u>(8,597)</u> <u>1,597,004</u>	
Increase (decrease) in unrestricted net assets	<u>(82,050)</u>	<u>(80,775)</u>	<u>(24,790)</u>	<u>127,678</u>	<u>(57,092)</u>	<u>(6,185)</u>	<u>-</u>	<u>5,597</u> <u>(117,617)</u>	
Other changes in net assets:									
Capital contribution	-	-	-	-	-	-	336,741	336,741	
Net assets at beginning of year	<u>529,775</u>	<u>153,159</u>	<u>(271,724)</u>	<u>(1,356,925)</u>	<u>1,016,796</u>	<u>3,772</u>	<u>-</u>	<u>74,853</u>	
Net assets at end of year	\$ <u>447,725</u>	<u>72,384</u>	<u>(296,514)</u>	<u>(1,229,247)</u>	<u>959,704</u>	<u>(2,413)</u>	<u>336,741</u>	<u>5,597</u> <u>\$ 293,977</u>	

See accompanying auditors' report.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2014

<u>Federal Grantor/Pass Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Corporation for National and Community Service:</u>			
Pass-through programs from:			
YouthBuild USA - AmeriCorps VISTA Logistical Training Support YouthBuild	94.023	13NDHMA 0010061	\$ 54,594
YouthBuild USA - AmeriCorps VISTA Logistical Training Support YouthBuild	94.023	13NDHMA 0010061	<u>26,006</u>
Total Corporation for National and Community Service			<u>80,600</u>
<u>U.S. Department of Housing and Urban Development:</u>			
Direct programs:			
Supportive Housing Program	14.235	CA0525L9 D001206	82,716
Pass-through programs from:			
Enterprise Community Partners, Inc. Section 4 Capacity Building for Community Development and Affordable Housing	14.252	B-12-CB MD-001	<u>5,000</u>
Total U.S. Department of Housing and Urban Development			<u>87,716</u>
<u>U.S. Department of Labor:</u>			
Direct program:			
YouthBuild Program	17.274	YB-24707- 13-60-A-6	513,680
YouthBuild Program	17.274	YB-21312- 11-60-A-6	<u>32,890</u>
Total U.S. Department of Labor			<u>546,570</u>
<u>Department of Health and Human Services:</u>			
Pass-through program from:			
CLARE Foundation, Inc.- Substance Abuse and Mental Health Services	93.243	1UD1TI0 23570-01	18,750
CLARE Foundation, Inc.- Substance Abuse and Mental Health Services	93.243	025759-01	<u>5,625</u>
Total Department of Health and Human Service			<u>24,375</u>
<u>Department of Homeland Security:</u>			
Pass-through program from:			
FEMA United Way - Emergency Food and Shelter National Board Program	97.024	069500- 640	<u>12,386</u>
Total Department of Homeland Security			<u>12,386</u>
Total expenditures of federal awards			\$ <u>751,647</u>

See accompanying notes to schedule of expenditures of federal awards.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Venice Community Housing Corporation under programs of the federal government for the year ended December 31, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Venice Community Housing Corporation, it is not intended to and does not present the financial position, changes in net assets or cash flows of Venice Community Housing Corporation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

NOTE C – SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, Venice Community Housing Corporation provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Amount Provided to Subrecipients</u>
None		

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Venice Community Housing Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Venice Community Housing Corporation (a nonprofit California organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Venice Community Housing Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Venice Community Housing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Venice Community Housing Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Venice Community Housing Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Los Angeles, CA
September 30, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

The Board of Directors
Venice Community Housing Corporation:

Report on Compliance for Each Major Federal Program

We have audited Venice Community Housing Corporation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Venice Community Housing Corporation's major federal programs for the year ended December 31, 2014. Venice Community Housing Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Venice Community Housing Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Venice Community Housing Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Venice Community Housing Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, Venice Community Housing Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Venice Community Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Venice Community Housing Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Venice Community Housing Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-1, that we consider to be significant deficiencies.

Venice Community Housing Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Venice Community Housing Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Los Angeles, CA
September 30, 2015

**VENICE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Venice Community Housing Corporation.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Venice Community Housing Corporation were disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award program for Venice Community Housing Corporation expresses an unmodified opinion on the major federal program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program is: YouthBuild, CDFA Number 17.274.
8. The threshold used to distinguish between Type A and B programs was \$300,000.
9. Venice Community Housing Corporation did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

DEPARTMENT OF LABOR

2014-1 Internal Controls Over Recording Placement Goals

Condition: VCHC has not adequately documented the follow-up procedures on the status of employment or school enrollment of YouthBuild program graduates. Results of efforts to contact graduates are not clearly indicated or effectively organized in the YouthBuild program files.

Criteria: VCHC has a seventy-percent education or employment placement goal for participants that complete the program. The file for each participant should contain information obtained to document the status of each YouthBuild graduate.

Cause: VCHC has not monitored the procedures for follow-up of YouthBuild graduates regarding post-graduate employment or enrollment at an education facility. In addition, file notations are unclear, making it difficult to determine participant's subsequent status.

VENICE COMMUNITY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
YEAR ENDED DECEMBER 31, 2014

2014-1 Internal Controls Over Recording Placement Goals, Continued

Effect: There is inadequate documentation of efforts to reach and provide follow-up support for those participants who have not achieved education enrollment or employment placement.

Recommendation: The internal control system should be designed to insure that VCHC has effective procedures for tracking the status of graduates of the YouthBuild program. The system should be maintained and monitored so that the status of participant graduates is determined and documented in compliance with federal regulations. Personnel should be accountable for performing and documenting follow-up procedures. Internal control procedures should include management review of participants' files for completeness and accuracy. Each participant file should have a set list of follow-up procedures and the results of each attempt to contact a graduate.



Venice Community Housing Corporation

110 Rose Avenue, Venice, California 90586

Tel: (310) 410-1100 fax: (310) 399-1130

Web: www.VCHCorp.org

CORRECTIVE ACTION PLAN

September 30, 2015

Department of Labor
Single Audit Clearinghouse
1201 East 10th Street
Jeffersonville, IN 47132

Dear Sirs:

Venice Community Housing Corporation (VCHC) respectfully submits the following corrective action plan for the year ending December 31, 2014.

The name and address of our independent public accounting firm is:
Levitt and Rosenblum, CPAs, 10801 National Blvd., Suite 604, Los Angeles, CA 90064
Audit Period is: January 1, 2014 – December 31, 2014

FINDINGS AND QUESTIONED COSTS -MAJOR FEDERAL AWARD PROGRAMS AUDIT

2014-1 Internal Controls Over Recording Placement Goals

Condition: VCHC has not adequately documented the follow-up procedures on the status of employment or school enrollment of YouthBuild program graduates. Results of efforts to contact graduates are not clearly indicated or effectively organized in the YouthBuild program files.

Criteria: VCHC has a seventy-percent education or employment placement goal for participants that complete the program. The file for each participant should contain information obtained to document the status of each YouthBuild graduate.

Cause: VCHC has not monitored the procedures for follow-up of YouthBuild graduates regarding post-graduate employment or enrollment at an education facility. In addition, file notations are unclear, making it difficult to determine participant's subsequent status.

Effect: There is inadequate documentation of efforts to reach and provide follow-up support for those participants that have not achieved education enrollment or employment placement.

Recommendation: The internal control system should be designed to ensure that VCHC has effective procedures for tracking the status of graduates of the YouthBuild program. The system should be maintained and monitored so that the status of participant graduates is determined and documented in compliance with federal regulations. Personnel should be accountable for performing and documenting follow-up procedures. Internal control procedures should include management review of participants' files for completeness and accuracy. Each participant file should have a set list of follow-up procedures and the results of each attempt to contact a graduate.

Action Taken: The YouthBuild Director has carefully reviewed the follow-up procedures with staff, created separate placement files for each graduating participant and directed staff to document every attempt to contact a graduate, files to be reviewed by the YouthBuild Director on a monthly basis for completeness and accuracy.

Please feel free to call if you have any questions,

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Stephen Clare', with a long horizontal flourish extending to the right.

D. Stephen Clare
Executive Director

**VENICE COMMUNITY HOUSING CORPORATION
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2014**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Not Applicable, no findings from prior year