VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

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

December 31, 2016

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(A Nonprofit California Corporation)

December 31, 2016

TABLE OF CONTENTS

LEVITT & ROSENBLUM
CERTIFIED PUBLIC ACCOUNTANTS
10801 National Blvd., Suite 604
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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, 2016, 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, which statements reflect total assets of $1,092,394 as of December 31, 2016 and total revenue of $382,622 for the year ended December 31, 2016. 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, 2016, 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 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.

Levitt & Rosenblum

Levitt & Rosenblum, CPAs
September 25, 2017

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Financial Position

December 31, 2016

ASSETS

Cash	$ 1,800,954
Restricted cash (note 3)	2,415,305
Government contracts receivable (note 2)	178,446
Grants receivable	29,494
Accounts receivable	162,867
Prepaid expenses	34,545
Property, at cost (note 2):	
Land	9,433,063
Buildings and improvements	21,599,093
Equipment and furniture	705,258
Less: accumulated depreciation	7,882,124
Net Property	23,855,290
Capitalized costs, net of accumulated amortization (note 6)	80,656
Deposits	17,517
Total Assets	$ 28,575,074

LIABILITIES AND NET ASSETS

Accounts payable	$ 147,966
Accrued payroll and vacation	154,326
Prepaid rent	68,210
Deferred revenue	60,307
Developer fee payable	47,818
Short-term loan payable	20,000
Accrued interest payable (note 5)	1,025,248
Mortgage notes payable (notes 5 and 12)	17,678,013
Tenant security deposits	176,715
Commitments and contingencies (note 12)	
Total Liabilities	19,378,603
Net Assets:	
Unrestricted net assets	1,958,658
Unrestricted, controlling interest	1,118,244
Unrestricted, non-controlling interest (note 2)	5,942,643
Total unrestricted net assets	9,019,545
Temporarily restricted (note 9)	176,926
Total Net Assets	9,196,471
Total Liabilities and Net Assets	$ 28,575,074

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Activities

Year ended December 31, 2016

Changes in unrestricted net assets:	
Revenues and Support:	
Contributions and grants	$ 704,191
Government contracts	367,736
Partnership developer fees	272,906
Program service	39,500
Rental income	2,561,746
Other income	6,898
Interest income	3,632
Total unrestricted revenue	3,956,609
Net assets released from restrictions:	
Satisfaction of program restrictions	198,456
Total unrestricted revenue and other support	4,155,065
Expenses:	
Salaries	1,679,402
Payroll taxes	144,697
Employee benefits	160,181
Consultants	37,294
Job training and supplies	44,116
Education and after school programs	114,656
Rent	19,512
Legal and accounting	101,540
Office and administration	171,125
Conference, training & travel	38,793
Property management fee	12,482
Fundraising and outreach	79,548
Maintenance and repairs	504,780
Utilities	274,594
Insurance	306,323
Property tax and license and fees	68,678
Organization costs	34,143
Interest	571,205
Depreciation and amortization	618,807
Total expenses	4,981,876
Decrease in unrestricted net assets	(826,811)
Changes in temporarily restricted net assets:	
Contributions and grants	156,192
Net assets released from restrictions	(198,456)
Decrease in temporarily restricted net assets	(42,264)
Decrease in net assets	$ (869,075)
Change in net assets attributable to non-controlling interest	$ (319,714)
Change in net assets attributable to controlling interest	(549,361)
	$ (869,075)

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Changes in Net Assets

Year ended December 31, 2016

Changes in Net Assets:	
Net assets, unrestricted at January 1, 2016	$ 5,055,145
Partner capital contributions	4,904,711
Syndication costs	(113,500)
Changes in unrestricted net assets	(826,811)
Net assets, unrestricted at December 31, 2016	$ 9,019,545
Net assets, temporarily restricted at January 1, 2016	$ 219,190
Changes in temporarily restricted net assets	(42,264)
Net assets, temporarily restricted at December 31, 2016	$ 176,926
Total net assets at December 31, 2016	$ 9,196,471

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Cash Flows

Year ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (869,075)
Adjustments to reconcile change in net assets to cash flow from operating activities:	
Depreciation and amortization expense	618,807
Amortization of debt issuance costs	9,559
Decrease (Increase) in Operating Assets:	
Tenant security deposits	(23,200)
Government contracts receivable	(67,143)
Accounts receivable	(5,746)
Grants receivable	9,939
Prepaid expenses	(18,113)
Deposits	7,249
Increase (Decrease) in Operating Liabilities:	
Accounts payable and accrued expenses	73,918
Prepaid rent and deferred revenue	57,921
Accrued interest payable	221,848
Tenant security deposits	17,701
Net cash provided by operating activities	33,665
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net changes in property reserves and deposits	(361,553)
Net changes in investments	176,876
Payment for capitalized costs	(59,871)
Payment for building improvements	(95,725)
Payment for furniture and equipment	(133,343)
Payment for real estate under development	(2,719,473)
Net cash used in investing activities	(3,193,089)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Partner capital contributions	4,904,711
Due to partners and affiliates	(5,208)
Payment of syndication costs	(113,500)
Proceeds from notes payable	2,837,800
Payment of debt issuance costs	(40,841)
Repayment of notes payable	(4,238,136)
Net cash provided by financing activities	3,344,826
Net increase in cash	185,402
Cash, beginning	1,615,552
Cash, ending	$ 1,800,954
Supplemental noncash investing and financing activities:	
Additional costs of rental property from capitalized interest accrual and construction costs payable	$ 68,822
Supplemental disclosure of cash flow information:	
cash paid for interest, net of amounts capitalized	$ 354,442

See accompanying 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 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, 2016.

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. The Partnership acquired land on which it constructed the housing project. 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.

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 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, 2016. 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, 2016, 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 loss recognized in 2016.

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 12). 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. 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, VCHC 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. Any deferred development fees paid from project operations are eliminated in consolidation. Total developer fee earned and recognized from the limited partnership approximated $272,906 during 2016.

Syndication Costs

Syndication costs directly reduce limited partner equity when incurred.

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 no tax positions 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 2013 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, 2016, 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 Affiliate believes that the property tax exemption for the periods affected will be granted and that refunds of property taxes paid will be received. Accordingly, the Affiliate has recorded a receivable of $107,284 on the accompanying balance sheet as of December, 31, 2016. In the event such exemption is not renewed or no longer available, the Affiliate’s cash flow would be negatively impacted.

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, 2016 the uninsured balances approximate $220,000 based on actual bank balances. Management believes this credit risk is not significant in regard to these cash balances at December 31, 2016.

The Organization’s revenues are derived from several sources. Approximately 21% of revenue is from contributions and grants from non-governmental sources; 9% from fees charged to government agencies; and 62% 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 affordable 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.

Change in Accounting Principle

During 2016, VCHC adopted the provisions of Accounting Standards Update 215-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 reclassifies debt issuance costs by no longer reporting them as assets but instead reporting them as a direct deduction from the carrying amount of the related loan. Amortization of the debt issuance costs is included as a component of interest expense. ASU 2015-03 has been adopted by the Organization on a retrospective basis.

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, 2016:

Income taxes: None

Subsequent Events

The Organization has evaluated subsequent events that have occurred from December 31, 2016 through September 25, 2017, 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 13).

(3) Restricted Cash

Cash reserves and restricted deposits primarily consist of housing project operating and replacement reserves, mortgage escrow impounds, and tenant security deposits. 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. Reserves are included as restricted cash in the accompanying consolidated financial statements.

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
Operating Reserve	$ 28,838	726,920	$ 755,758
Replacement Reserve	189,066	836,274	1,025,340
Revenue Deficit Reserve	-	52,000	52,000
Transition Reserve	-	212,362	212,362
Other	50,883	121,589	172,472
Security Deposits	72,172	125,201	197,373
Total	$ 340,959	2,074,346	$ 2,415,305

(4) 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.

(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.	$ 428,248
Note payable through the Federal Home Loan Bank of San Francisco-Affordable Housing Program, in the original amount of $52,000, 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.	52,000
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% 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%, currently payable in monthly installments of principal and interest of $921, due January, 2025.	79,134
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 2016 was $9,000 and as of December 31, 2016, accrued interest totaled $139,096.	300,000

(5) Mortgage Notes Payable, Continued

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.	110,578
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.	46,000
4216 Centinela Avenue:	
6.4% 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, 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.	697,693
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.	142,098
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
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.	9,470
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
	2,276,707
Less unamortized debt issuance costs	(13,259)
VCHC Total	$ 2,263,448

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.	$ 587,544

(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.	2,319,657
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
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 12).	12,122,423
	15,651,499
Less unamortized debt issuance costs	(236,934)
Affordable Housing Affiliates Total	$ 15,414,565

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

Year Ending December 31	VCHC	Affiliates	Total
2017	$ 256,722	125,907	$ 382,629
2018	101,733	129,578	231,311
2019	56,889	133,422	190,311
2020	310,554	137,446	448,000
2021	84,720	141,664	226,384
Thereafter	1,466,089	14,983,482	16,449,571
Total	$ 2,276,707	15,651,499	$ 17,928,206

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 a $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 2016 is as follows:

	Current Portion	Non-Current Portion	Principal Balance as of 12/31/16	Accrued Interest as of 12/31/16
VCHC:				
Amortizing	$ 199,236	1,267,985	1,467,221	$ 8,250
Non-Amortizing	57,486	752,000	809,486	141,321
Subtotal VCHC	$ 256,722	2,019,985	2,276,707	$ 149,571
Less: Debt Issuance Costs			(13,259)	
Total VCHC			2,263,448	
Affordable Housing Affiliates:				
Amortizing	$ 88,407	2,818,794	2,907,201	$ 8,247
Non-Amortizing	37,500	12,706,798	12,744,298	867,430
Subtotal Affordable Housing Affiliates	$ 125,907	15,525,592	15,651,499	$ 875,677
Less: Debt Issuance Costs			(236,934)	
Total Affordable Housing Affiliates			15,414,565	

(6) 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		(47,548)
Net Capitalized Costs		$ 80,656

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

Year Ending December 31	Affiliates
2017	$ 16,056
2018	5,121
2019	5,121
2020	5,121
2021	5,121
Thereafter	44,116
Total	$ 80,656

(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 are reported net of allowance for doubtful accounts in the amount of $79,049. 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.

(8) Functional Expenses

Functional expenses for 2016 are allocated as follows:

Program Services	$ 4,128,245
Management and General	636,436
Fundraising	217,195
Total	$ 4,981,876

(9) Restrictions on Net Assets

Temporarily restricted net assets at December 31, 2016 are available for the following purposes:

Community development programs	$ 45,884
Youthbuild scholarship	5,000
General operating	126,042
Total	$ 176,926

(10) Guaranties

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, 2016, no amounts were due under this guaranty.

(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) Commitments and Contingent Liabilities

VCHC

VCHC leases storage space on a month-to-month basis at the rate of $2,703 per month. Rent expense for this operating lease totaled $19,512 for the year ended December 31, 2016.

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, 2016 approximated $11,000.

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, 2016, the cumulative amount of unpaid interest on the note that could be due if provisions were not met approximated $13,600.

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, 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.

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.

(12) Commitments and Contingent Liabilities, Continued

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 loans 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	$ 1,190,000
12525 Washington Place Limited Partnership	1,260,000
Navy Blue Apartments Limited Partnership	482,000
Total	$ 2,932,000

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, 2016 Navy Blue is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated $482,000, 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.

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.

(12) Commitments and Contingent Liabilities, Continued

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, 2016, Fourth Avenue is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated $1,190,000, if the fair market value of the property is sufficient.

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, 2016, the Organization is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated $1,260,000, if the fair market value of the property is sufficient.

(13) Subsequent Events

On May 31, 2017, VCHC obtained an unsecured predevelopment loan to be used for feasibility analysis and predevelopment costs related to the potential development of property targeting homeless households located in Los Angeles. In connection with this project, VCHC executed a promissory note payable to the Corporation for Supportive Housing in an amount not to exceed $100,000, due the earlier of the closing of acquisition/predevelopment funding or January 1, 2019, subject to possible forgiveness provisions if the project is not ultimately developed. The loan bears interest at the rate of 3% per annum with interest and principal deferred until maturity. As of the issuance date $60,000 of the loan has been disbursed.

As of September 25, 2017, the date that the financial statements were available to be issued, the $52,000 affordable housing program note payable for 200 Lincoln Blvd, was cancelled and a reconveyance of the deed of trust was recorded.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidating Statement of Financial Position

December 31, 2016

Schedule 1

	Venice Community Housing Corporation excluding Affiliates	Affiliates	Elimination Adjustments	Venice Community Housing Corporation
Assets				
Cash and equivalents	$ 1,259,342	541,612	-	$ 1,800,954
Restricted cash	340,959	2,074,346	-	2,415,305
Government contracts receivable	178,446	-	-	178,446
Grants receivable	29,494	-	-	29,494
Accounts receivable, net	5,711	157,156	-	162,867
Prepaid expenses	14,298	20,247	-	34,545
Property and equipment	7,255,420	24,581,994	(100,000)	31,737,414
Accumulated depreciation	(2,600,970)	(5,286,154)	5,000	(7,882,124)
Net Property	4,654,450	19,295,840	(95,000)	23,855,290
Financing costs, net	-	80,656		80,656
Due from affiliates	79,049	-	(79,049)	-
Deposits	7,807	9,710		17,517
Total assets	$ 6,569,556	22,179,567	(174,049)	$ 28,575,074
Liabilities and Net Assets				
Accounts payable	$ 69,018	78,948	-	$ 147,966
Accrued payroll and vacation	154,326	-	-	154,326
Prepaid rent	30,215	37,995	-	68,210
Deferred revenue	60,307	-	-	60,307
Developer fee payable	-	47,818	-	47,818
Due to VCHC	-	272,410	(272,410)	-
Short-term loan payable	20,000	-	-	20,000
Accrued interest payable	149,571	875,677	-	1,025,248
Notes payable	2,263,448	15,414,565	-	17,678,013
Tenant deposits	57,765	118,950	-	176,715
Total liabilities	2,804,650	16,846,363	(272,410)	19,378,603
Net Assets:				
Unrestricted	3,587,980	5,333,204	98,361	9,019,545
Temporarily restricted	176,926	-	-	176,926
Total Net Assets	3,764,906	5,333,204	98,361	9,196,471
Total Liabilities and Net Assets	$ 6,569,556	22,179,567	(174,049)	$ 28,575,074

See accompanying auditor's report.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidating Statement of Activities

Year ended December 31, 2016

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	$ 704,191	-	-	$ 704,191
Government grants	367,736	-	-	367,736
Partnership developer fees	272,906	-	-	272,906
Program service	39,500	-	-	39,500
Rental income	888,847	1,672,801	-	2,561,648
Partnership mgmt and tenant svrcs fees	647,161	-	(647,161)	-
Other income	6,898	98	-	6,996
Interest income	1,962	1,670	-	3,632
Total unrestricted revenue	2,929,201	1,674,569	(647,161)	3,956,609
Net assets released from restrictions:				
Satisfaction of program restrictions	198,456	-	-	198,456
Total unrestricted revenue and support	3,127,657	1,674,569	(647,161)	4,155,065
Expenses:				
Salaries, benefits, taxes	1,899,511	348,376	(263,607)	1,984,280
Consultants	23,194	14,533	(433)	37,294
Job training and supplies	44,116	-	-	44,116
Education and after school programs	114,656	-	-	114,656
Rent	19,512	-	-	19,512
Legal & accounting	27,675	89,741	(15,876)	101,540
Office and administration	116,982	67,496	(13,353)	171,125
Conference, training & travel	38,793	-	-	38,793
Management and tenant service fees	-	164,632	(152,150)	12,482
Fundraising & outreach	79,548	-	-	79,548
Maintenance & repairs	263,207	327,513	(85,940)	504,780
Utilities	114,811	159,783	-	274,594
Insurance	257,155	136,694	(87,526)	306,323
Property tax and license and fees	22,971	45,965	(258)	68,678
Organization costs	-	34,143	-	34,143
Interest	112,821	458,384	-	571,205
Depreciation & amortization	162,270	459,037	(2,500)	618,807
Total expenses	3,297,222	2,306,297	(621,643)	4,981,876
Decrease in unrestricted net assets	(169,565)	(631,728)	(25,518)	(826,811)
Change in temp. restricted net assets:				
Contributions and grants	156,192	-	-	156,192
Net assets released from restriction	(198,456)	-	-	(198,456)
Decrease in temp. restricted net assets	(42,264)	-	-	(42,264)
Total decrease in net assets	(211,829)	(631,728)	(25,518)	(869,075)
Other changes in net assets:				
Partner capital contributions	-	4,868,204	36,507	4,904,711
Syndication costs	-	(113,500)	-	(113,500)
Net assets at beginning of year	3,976,735	1,210,228	87,372	5,274,335
Net assets at end of year	$ 3,764,906	5,333,204	98,361	$ 9,196,471

See accompanying auditor's report.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidating Statement of Cash Flows

Year ended December 31, 2016

Schedule 3

	Venice Community Housing Corporation excluding Affiliates	Affiliates	Elimination Adjustments	Venice Community Housing Corporation
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	$ (211,829)	(631,728)	(25,518)	$ (869,075)
Adjustments to reconcile change in net assets to cash flow from operating activities:				
Depreciation and amortization expense	162,270	459,037	(2,500)	618,807
Amortization of debt issuance costs	1,512	8,047	-	9,559
Decrease (Increase) in Operating Assets:				
Tenant security deposits	(41)	(23,159)	-	(23,200)
Government contracts receivable	(67,143)	-	-	(67,143)
Accounts receivable	(647)	(5,048)	(51)	(5,746)
Grants receivable	9,939	-	-	9,939
Prepaid expenses	(13,716)	(4,397)	-	(18,113)
Deposits	11,449	(4,200)	-	7,249
Increase (Decrease) in Operating Liabilities:				
Due to/from affiliates	(18,852)	32,498	(13,646)	-
Accounts payable and accrued expenses	44,731	29,187	-	73,918
Prepaid rent and deferred revenue	64,766	(6,845)	-	57,921
Accrued interest payable	2,119	219,729	-	221,848
Tenant security deposits	(4,190)	21,891	-	17,701
Net cash provided by (used in) operating activities	(19,632)	95,012	(41,715)	33,665
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net changes in property reserves and deposits	20,684	(382,237)	-	(361,553)
Net changes in investments	-	176,876	-	176,876
Payment for capitalized costs	-	(59,871)	-	(59,871)
Payment for building improvements	(95,725)	-	-	(95,725)
Payment for furniture and equipment	(8,373)	(124,970)	-	(133,343)
Payment for real estate under development	-	(2,719,473)	-	(2,719,473)
Net cash used in investing activities	(83,414)	(3,109,675)	-	(3,193,089)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Partner capital contributions	-	4,868,204	36,507	4,904,711
Due to partners and affiliates	-	(10,416)	5,208	(5,208)
Payment of syndication costs	-	(113,500)	-	(113,500)
Proceeds from notes payable	250,000	2,587,800	-	2,837,800
Payment of debt issuance costs	-	(40,841)	-	(40,841)
Repayment of notes payable	(162,142)	(4,075,994)		(4,238,136)
Net cash provided by financing activities	87,858	3,215,253	41,715	3,344,826
Net increase (decrease) in cash	(15,188)	200,590	-	185,402
Cash, beginning	1,274,530	341,022	-	1,615,552
Cash, ending	$ 1,259,342	541,612	-	$ 1,800,954

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	$ -	68,822	-	$ 68,822
Supplemental disclosure of cash flow information: cash paid for interest, net of amounts capitalized	$ 108,234	246,208	-	$ 354,442

See accompanying auditor's report.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Combining Statement of Financial Position by Affiliates

December 31, 2016

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	$ 78,068	15,475	102,652	122,186	108,056	112,329	2,846	-	$ 541,612
Restricted cash	467,269	381,268	292,617	325,135	179,269	428,788	-	-	2,074,346
Accounts receivable, net	571	13,063	1,757	23,562	112,304	5,899	-	-	157,156
Prepaid expenses	-	5,299	-	4,397	10,551	-	-	-	20,247
Property and equipment	3,511,271	4,776,718	1,266,955	9,967,711	829,243	4,230,096	-	-	24,581,994
Accumulated depreciation	(1,972,691)	(296,337)	(844,472)	(181,672)	(147,029)	(1,843,953)	-	-	(5,286,154)
Financing costs, net	-	-	39,658	40,998	-	-	-	-	80,656
Deposits	4,470	-	650	4,200	-	390	-	-	9,710
Total assets	2,088,958	4,895,486	859,817	10,306,517	1,092,394	2,933,549	2,846	-	22,179,567
Liabilities and Net Assets									
Accounts payable	3,909	2,283	30,352	32,023	5,646	4,735	-	-	78,948
Prepaid rent	365	14,798	8,460	1,357	10,588	2,427	-	-	37,995
Developer fee payable	-	-	-	47,818	-	-	-		47,818
Due to VCHC	108,157	14,017	103,546	(5,208)	11,027	40,871	-	-	272,410
Accrued interest payable	68,243	533,622	11,294	255,013	5,509	1,996	-	-	875,677
Notes payable	1,563,445	4,560,759	1,068,480	4,032,158	2,178,324	2,011,399	-	-	15,414,565
Tenant deposits	18,029	17,231	10,051	22,640	29,576	21,423	-	-	118,950
Total liabilities	1,762,148	5,142,710	1,232,183	4,385,801	2,240,670	2,082,851	-	-	16,846,363
Net Assets:									
Unrestricted	326,810	(247,224)	(372,366)	5,920,716	(1,148,276)	850,698	2,846	-	5,333,204
Total Liabilities and Net Assets	$ 2,088,958	4,895,486	859,817	10,306,517	1,092,394	2,933,549	2,846	-	$ 22,179,567

See accompanying auditor's report.

VENICE COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Combining Statement of Activities by Affiliates

Year ended December 31, 2016

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:									
Rental income	$ 299,893	232,220	168,556	215,863	382,552	373,717	-	-	$ 1,672,801
Partnership mgmt fees	-	-	-	-	-	-	9,120	(9,120)	-
Other income	83	-	-	-	15	-	-	-	98
Interest income	468	511	231	3	55	402	-		1,670
Total unrestricted revenue	300,444	232,731	168,787	215,866	382,622	374,119	9,120	(9,120)	1,674,569
Expenses:									
Salaries, benefits, taxes	105,561	54,532	29,177	30,146	49,204	79,756	-	-	348,376
Consultants	3,510	3,265	3,110	-	-	4,648	-	-	14,533
Legal & accounting	14,370	14,430	11,622	18,789	9,645	20,070	815	-	89,741
Office and administration	19,655	9,993	4,878	13,532	8,062	10,504	872	-	67,496
Management & tenant services	19,911	24,910	46,730	34,443	-	40,258	7,500	(9,120)	164,632
Maintenance & repairs	55,219	41,108	38,143	24,449	72,934	95,660	-	-	327,513
Utilities	31,276	16,733	12,405	19,924	41,606	37,839	-	-	159,783
Insurance	31,432	24,315	15,289	8,765	26,449	30,444	-	-	136,694
Property tax and license and fees	7,942	8,834	1,105	4,992	16,423	6,669	-	-	45,965
Organization costs	-	-	-	34,143	-	-	-	-	34,143
Interest	17,238	119,991	11,294	167,830	71,316	70,715	-	-	458,384
Depreciation & amortization	66,710	55,248	25,381	200,545	39,304	71,849	-	-	459,037
Total expenses	372,824	373,359	199,134	557,558	334,943	468,412	9,187	(9,120)	2,306,297
Increase (decrease) in unrestricted net assets	(72,380)	(140,628)	(30,347)	(341,692)	47,679	(94,293)	(67)	-	(631,728)
Other changes in net assets:									
Partner capital contribution (distribution)	-	-	-	4,904,711	(36,507)	-	-	-	4,868,204
Syndication costs	-	-	-	(113,500)	-	-	-	-	(113,500)
Net assets at beginning of year	399,190	(106,596)	(342,019)	1,471,197	(1,159,448)	944,991	2,913	-	1,210,228
Net assets at end of year	$ 326,810	(247,224)	(372,366)	5,920,716	(1,148,276)	850,698	2,846	-	$ 5,333,204

See accompanying auditor's report.