

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Report on Audited Financial Statements

Year Ended December 31, 2015

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Orange County Community Housing Corporation
Santa Ana, California

Report on Financial Statements

We have audited the accompanying financial statements of the Orange County Community Housing Corporation (a California non-profit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Orange County Community Housing Corporation's December 31, 2014, financial statements, and in our report dated May 15, 2015, we expressed a qualified (modified) opinion on those 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 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 financial statements.

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

We were unable to confirm the terms and balances of loans owed by the Corporation to the City of Huntington Beach as of December 31, 2015, in the amount of \$4,481,880. The City of Huntington Beach asserts the loan balances, as of that date, to be \$5,855,487, a difference of \$1,373,607. See "Note 10 – Contingent Liabilities" on page 22 for explanation.

Opinion

In our opinion, except as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Orange County Community Housing Corporation as of December 31, 2015, 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.

Internal Control over Financial Reporting

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2016, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.



James G. Davidson, CPA, CGFM, CFE
J G Davidson and Company
Westminster, California
May 13, 2016

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Statement of Financial Position

December 31, 2015 with Summarized Totals for December 31, 2014

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals Dec. 31, 2015</u>	<u>Totals Dec. 31, 2014</u>
Current Assets:					
Cash and cash equivalents	\$ 282,698	\$ 75,225	-	\$ 357,923	\$ 558,760
Investments	298,938	-	-	298,938	539,350
Endowment	-	41,653	\$ 160,000	201,653	256,026
Accounts receivable, net	33,670	-	-	33,670	43,455
Construction in process	346,327	-	-	346,327	333,411
Miscellaneous receivables	175,618	-	-	175,618	-
Deferred testing service costs	-	-	-	-	87,974
Total Current Assets	<u>1,137,251</u>	<u>116,878</u>	<u>160,000</u>	<u>1,414,129</u>	<u>1,818,976</u>
Property and Equipment:					
Buildings and improvements	13,996,004	-	-	13,996,004	13,878,664
Land	6,022,701	-	-	6,022,701	6,022,701
Furniture and fixtures	81,245	-	-	81,245	81,245
Vehicle	14,144	-	-	14,144	14,144
Total Property and Equipment	<u>20,114,094</u>	<u>-</u>	<u>-</u>	<u>20,114,094</u>	<u>19,996,754</u>
Accumulated depreciation	<u>(8,033,894)</u>	<u>-</u>	<u>-</u>	<u>(8,033,894)</u>	<u>(7,720,243)</u>
Net Property and Equipment	<u>12,080,200</u>	<u>-</u>	<u>-</u>	<u>12,080,200</u>	<u>12,276,511</u>
Other Assets:					
Prepaid rent	85,751	-	-	85,751	89,251
Other receivables	-	-	-	-	6,077
Security deposit	-	-	-	-	14,203
Total Other Assets	<u>85,751</u>	<u>-</u>	<u>-</u>	<u>85,751</u>	<u>109,531</u>
Total Assets	<u><u>\$ 13,303,202</u></u>	<u><u>\$ 116,878</u></u>	<u><u>\$ 160,000</u></u>	<u><u>\$ 13,580,080</u></u>	<u><u>\$ 14,205,018</u></u>

See accompanying independent auditor's report and notes to financial statements.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Statement of Financial Position (continued)

December 31, 2015 with Summarized Totals for December 31, 2014

LIABILITIES AND NET ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals Dec. 31, 2015</u>	<u>Totals Dec. 31, 2014</u>
Current Liabilities:					
Current portion of notes payable	\$ 1,052,517	-	-	\$ 1,052,517	\$ 1,372,945
Accounts payable	44,225	-	-	44,225	97,262
Accrued interest payable	762,676	-	-	762,676	725,860
Total Current Liabilities	1,859,418	-	-	1,859,418	2,196,067
Long-Term Liabilities:					
Notes payable, net of current portion	13,458,090	-	-	13,458,090	13,420,527
Accrued interest payable	575,004	-	-	575,004	532,341
Tenant deposits payable	199,527	-	-	199,527	195,770
Deferred rent	85,751	-	-	85,751	89,251
Total Long-Term Liabilities	14,318,372	-	-	14,318,372	14,237,889
Total Liabilities	16,177,790	-	-	16,177,790	16,433,956
Net Assets:					
Unrestricted (deficit)	(2,874,588)	-	-	(2,874,588)	(2,548,856)
Temporarily restricted	-	\$ 116,878	-	116,878	159,918
Permanently restricted	-	-	\$ 160,000	160,000	160,000
Total Net Assets	(2,874,588)	116,878	160,000	(2,597,710)	(2,228,938)
Total Liabilities and Net Assets	<u>\$ 13,303,202</u>	<u>\$ 116,878</u>	<u>\$ 160,000</u>	<u>\$ 13,580,080</u>	<u>\$ 14,205,018</u>

See accompanying independent auditor's report and notes to financial statements.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Statement of Activities

Year Ended December 31, 2015 with Summarized Totals for the Year Ended December 31, 2014

REVENUES	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals Dec. 31, 2015	Totals Dec. 31, 2014
Revenues and Other Support:					
Rental and laundry revenue	\$ 2,674,019	-	-	\$ 2,674,019	\$ 2,640,036
Contributions and grants	228,174	-	-	228,174	354,732
Program services	36,815	-	-	36,815	-
In-kind contributions	5,911	-	-	5,911	15,455
Interest and dividend revenue, net of fees	6,656	\$ (176)	-	6,480	13,201
Net unrealized gains (losses)	(6,353)	(6,372)	-	(12,725)	11,911
Mortgage relief	2,352	-	-	2,352	2,352
Office rentals, net of expenses of \$92,659	(29,775)	-	-	(29,775)	-
Reimbursed expenses	92,556	-	-	92,556	-
Special events, net of cost of direct benefit of \$5,611	9,983	-	-	9,983	8,740
Miscellaneous	-	-	-	-	29,410
Total Revenues and Other Support	3,020,338	(6,548)	-	3,013,790	3,075,837
 CURRENT YEAR RESTRICTIONS AND (RELEASES)					
Decrease in SteppingUp Endowment	47,825	(47,825)	-	-	-
Increase in Student Scholarship account	-	11,333	-	11,333	3,335
Total Revenues	3,068,163	(43,040)	-	3,025,123	3,079,172
 EXPENSES					
Functional Expenses:					
Program services	3,014,195	-	-	3,014,195	2,847,562
Supporting services / management and general	269,828	-	-	269,828	212,540
Supporting services / fund-raising	109,872	-	-	109,872	112,789
Total Functional Expenses	3,393,895	-	-	3,393,895	3,172,891
 CHANGE IN NET ASSETS					
Net increase (decrease) in net assets	(325,732)	(43,040)	-	(368,772)	(93,719)
Net assets (deficit), as of the beginning of the year	(2,548,856)	159,918	\$ 160,000	(2,228,938)	(2,135,219)
Net assets (deficit), as of the end of the year	\$ (2,874,588)	\$ 116,878	\$ 160,000	\$ (2,597,710)	\$ (2,228,938)

See accompanying independent auditor's report and notes to financial statements.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Statement of Functional Expenses

Year Ended December 31, 2015 with Summarized Totals for the Year Ended December 31, 2014

<u>EXPENSES BY FUNCTION</u>	PROGRAM SERVICES			SUPPORTING SERVICES	
	Housing, Scholarships, Stepping Up, and Family Mentoring	Management and General	Fund-raising	Totals 2015	Totals 2014
Administrative salaries and wages	\$ 461,176	\$ 97,893	\$ 71,584	\$ 630,653	\$ 601,879
Administrative employee benefits	107,361	9,712	6,937	124,010	131,758
Administrative employee leasing	99,058	7,771	5,551	112,380	88,674
Amortization	87,974	-	-	87,974	-
Association dues	92,494	-	-	92,494	80,875
Auto reimbursement	13,752	708	506	14,966	18,932
Bad debts	28,325	-	-	28,325	16,027
College awareness and testing	18,615	-	-	18,615	55,048
Conferences	-	-	-	-	227
Contributions	11,105	-	-	11,105	8,016
Depreciation	324,334	2,277	1,627	328,238	308,424
Dues and subscriptions	1,049	152	108	1,309	8,368
Family mentoring	1,050	-	-	1,050	7,773
Information technology	13,951	2,327	1,662	17,940	7,883
Insurance	107,781	904	646	109,331	109,582
Interest	388,154	5,365	3,832	397,351	369,439
Investment fees	-	7,074	-	7,074	6,871
Janitorial	4,993	-	-	4,993	-
Maintenance	271,532	-	-	271,532	259,875
Marketing	5,778	7,433	-	13,211	15,952
Miscellaneous	10,664	207	-	10,871	23,411
Office supplies and expense	118,719	7,582	5,416	131,717	139,362
Professional services	15,154	88,130	-	103,284	76,263
Relocation	53,010	-	-	53,010	-
Rent	48,220	2,115	1,469	51,804	120,088
Rent expenses - other	3,500	-	-	3,500	3,500
Repairs	290,560	-	-	290,560	314,929
Residuals	45,811	-	-	45,811	22,352
Scholarships	12,135	-	-	12,135	6,320
Security	-	-	-	-	400
Special events	-	30,178	10,534	40,712	520
Utilities	377,940	-	-	377,940	372,143
Total Expenses by Function	<u>\$ 3,014,195</u>	<u>\$ 269,828</u>	<u>\$ 109,872</u>	<u>\$ 3,393,895</u>	<u>\$ 3,174,891</u>

See accompanying independent auditor's report and notes to financial statements.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Statement of Cash Flows

Years Ended December 31, 2015 and December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
Decrease in net assets	\$ (368,772)	\$ (93,719)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation expense	328,238	306,464
Unrealized loss (gain) on investments	12,725	(11,911)
Mortgage relief	(2,352)	(2,352)
Amortization of prepaid rent	3,500	3,500
Amortization of deferred rent payable	(3,500)	(3,500)
(Increase) decrease in accounts receivable	9,785	(1,363)
(Increase) decrease in construction in process	(12,916)	(333,411)
(Increase) decrease in miscellaneous receivables	(175,618)	69,002
(Increase) decrease in deferred testing service costs	87,974	(87,974)
(Increase) decrease in other non-current receivables	6,077	12,198
(Increase) decrease in security deposit	14,203	(1,504)
Increase (decrease) in accounts payable	(53,037)	63,000
Increase in accrued interest payable	79,479	75,624
Increase in tenant deposits payable	3,757	12,047
Net Cash (Used for) Provided by Operating Activities	(70,457)	6,101
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of Grayson property	208,815	-
Grant received for down payment on office facility	-	100,000
Purchases of property and equipment	(140,028)	(14,472)
Purchases of investments	-	(1,982)
Liquidation of investment funds	81,606	-
Investment fees and contributions made, net of interest and dividends received	2,092	-
Interest and dividends reinvested, net of investment fees and contributions paid	-	(1,952)
Net Cash Provided by Investing Activities	152,485	81,594
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes	(282,865)	(254,073)
Net Cash Used for Financing Activities	(282,865)	(254,073)
 CHANGE IN CASH AND CASH EQUIVALENTS		
Net decrease in cash and cash equivalents	(200,837)	(166,378)
Cash and cash equivalents, as of the beginning of the year	558,760	725,138
Cash and cash equivalents, as of the end of the year	\$ 357,923	\$ 558,760

See accompanying independent auditor's report and notes to financial statements.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 1 – NATURE OF ORGANIZATION

The Orange County Community Housing Corporation (the “Corporation”) was organized in 1977 for the purpose of providing housing and related services to low and very low income persons. The Corporation currently owns and operates twenty-two apartment buildings, which aggregate two hundred twenty-five units, thirteen condominium units, and four single-family residences. These units are rented to qualified low-income families at partially subsidized rents. The Corporation also manages eight units for the City of Garden Grove.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Corporation utilizes the accrual basis of accounting and the financial statements are presented in conformity with the standards in the AICPA Audit and Accounting Guide, *Not-for Profit Corporations*.

Financial Statement Presentation - The Corporation follows the financial statement presentation prescribed by FASB ASC 958-205-45-28 through 45-32, *Financial Statements of Not-for-Profit Corporations*. Under FASB ASC 958-205-45-28 through 45-32, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

- (a) Unrestricted net assets are those currently available for use in the operations of the Corporation under the direction of the Board.
- (b) Temporarily restricted net assets are those stipulated by donors for specific operating purposes or for the acquisition of property and equipment, or those not currently available for use until commitments regarding their use have been fulfilled.
- (c) Permanently restricted net assets are those stipulated by donors that the corpus be invested in perpetuity and only the income be made available for the program operations in accordance with donor restrictions.

Cash and Cash Equivalents - The Corporation defines cash equivalents as cash and checks available for deposit, and cash in checking accounts, along with all highly liquid investments with original maturities of three months or less.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allowance for Doubtful Accounts - The Corporation has made a provision for bad debts using the allowance method for any accounts deemed to be uncollectible. The allowance for doubtful accounts was \$20,000 at December 31, 2015, and \$20,000 at December 31, 2014.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - The Corporation follows FASB ASC 958-320, *Accounting for Certain Investments held by Not-for-Profit Organizations*. Under FASB ASC 958-320, organizations are required to report (a) investments in equity securities with readily determinable fair values and all investments in debt securities in the statement of financial position, at fair value, and (b) realized and unrealized gains and losses in the statement of activities.

Property and Equipment - Property and equipment are capitalized at historical cost, or fair market value at the date of donation, if donated. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donor assets are placed into services as instructed by the donor.

The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment, other than land, is depreciated over its estimated useful life using the straight-line method. The estimated useful life for buildings and improvements is five to forty years, five to twelve years for furniture and fixtures, and five years for vehicles.

Donated Materials and Services - Donated materials and other noncash contributions are reflected in the accompanying statements at their estimated fair market value at the date of receipt. Contribution of services are recognized if the services received, create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value.

Compensated Absences - Compensated absences include vacation and sick hours. Full-time employees are entitled to a minimum of 176 hours annually and begin to accrue hours on the first day of employment. Unused hours expire at the end of the calendar year.

Income Taxes - The Corporation is a tax-exempt corporation (“other than private foundation”) under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Corporation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

ASC topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax positions exist for the Corporation at December 31, 2015. Tax years 2013 through 2015 remain subject to examination by taxing authorities.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted Revenue and Support - The Corporation follows FASB ASC 958-605-20, *Accounting for Contributions Received and Contributions Made*) as recommended by the Financial Accounting Standards Board. In accordance with FASB ASC 958-605-20, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

A donor-imposed restriction specifies a use that is more specific than the broad limits associated with the nature of the Corporation. A donor-imposed condition specifies a future and uncertain event whose occurrence or failure to occur gives the donor a right to the return of the assets provided. Amounts received (or promised) that are conditioned upon such future and uncertain events are recorded as a liability until the condition that entitles the Corporation to keep the funds is met. When and if that event occurs, the amounts received are recognized as a contribution at that time.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Expense Allocation - The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program services are defined as follows:

The Housing program provides housing and education to extremely low-income families towards greater self-sufficiency. Its founding in 1977 was based on the principle that our low-wage working families deserve safe housing and safe neighborhoods so that their children would receive the same educational benefits as those from more affluent neighborhoods.

The Scholarship/Stepping UP program, provides a forum that will enhance the lives of our families while living in a stable environment conducive to learning and self-improvement. The Tutor House component and College Awareness Project of Stepping UP both focus on educating K-12 students of extremely low-income families with a special emphasis on parent involvement and higher education while the Family Mentoring component educates parents on how to obtain higher education and financial self-sufficiency to one day become first-time homeowners.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 2 – CASH AND INVESTMENTS

Cash and investments, including endowments, consisted of the following at December 31, 2015:

	Cash and Cash <u>Equivalents</u>	Investments/ <u>Endowments</u>	<u>Total</u>
Demand deposits	\$ 351,457		\$ 351,457
Certificates of deposits		\$ 107,355	107,355
Money market mutual funds	6,466		6,466
Pooled income funds		<u>393,236</u>	<u>393,236</u>
Totals	<u>\$ 357,923</u>	<u>\$ 500,591</u>	<u>\$ 858,514</u>

Financial institutions that potentially subject the Corporation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Corporation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the FDIC insurance coverage limit of \$250,000, a situation that has occurred. The Corporation did not however exceed the limit of this coverage as of December 31, 2015. The Corporation does not anticipate nonperformance by the institutions. No FDIC protection exists for brokerage account balances, as indicated in “Money market mutual funds” or “Pooled income funds” as indicated above, as of December 31, 2015.

Quasi-Endowment - The Corporation has a quasi-endowment fund with the Orange County Community Foundation (the “Foundation”). All or a portion of the net income and principal may be distributed at anytime from this donor advised fund. The fund is reported at market value. The balance of the fund was \$191,583 at December 31, 2015.

Endowment - The Corporation has an endowment fund with the Orange County Community Foundation (the “Foundation”). All or a portion of the net income may be distributed at anytime from this endowment fund for the purposes of support of the Stepping UP Program. The fund is reported at market value. The balance of the fund was \$201,653, at December 31, 2015.

Effective January 1, 2009, the Corporation adopted FASB ASC 958-205-45-30, *Endowments of Not-for-Profit Organizations*, by implementing a policy requiring the preservation of the fair value of the original gift or corpus as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with a standard of prudence. The Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the funds, (2) The purposes of the donor-restricted endowment funds, (3) General economic conditions, (4) The possible effect of inflation and deflation, (5) The expected total return from income and the appreciation of investments.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 2 – CASH AND INVESTMENTS (continued)

The Corporation has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operations and granting. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity. Under the investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner which attempts to achieve, after fees and expenses, a reasonable rate of return consistent with the risk levels established by the responsible committee for all permanently restricted endowment assets. To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a diversified asset allocation primarily focused on equity and fixed income based investments to achieve its long-term objectives within prudent risk constraints.

The State of California enacted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) effective January 1, 2009, the provisions of which apply to endowment funds existing at the time of or established after that date. The Corporation's permanently restricted net assets meet the definition of endowment funds under UPMIFA and the Corporation have reclassified \$125 from unrestricted net assets to temporarily restricted net assets as of January 1, 2009.

The endowment has temporary and permanent restrictions at December 31, 2015, as follows:

Stepping UP Endowment Fund	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment, December 31, 2014	\$ 96,026	\$ 160,000	\$ 256,026
Transfers-out	(47,825)		(47,825)
Investment fees, net of interest and dividend revenue	(176)		(176)
Net unrealized loss	<u>(6,372)</u>		<u>(6,372)</u>
Endowment, December 31, 2015	<u>\$ 41,653</u>	<u>\$ 160,000</u>	<u>\$ 201,653</u>

NOTE 3 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The Corporation paid cash during the year for:	<u>2015</u>	<u>2014</u>
Interest	\$ 313,894	\$ 260,496
Income taxes	None	None

NOTE 4 – NONCASH INVESTING AND FINANCING ACTIVITIES

The Corporation borrowed during the year for:	<u>2015</u>	<u>2014</u>
To purchase residential real estate properties	\$ 305,000	\$ 1,644,642

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 5 – FAIR VALUE MEASUREMENTS

The Corporation has adopted FASB ASC 820-10, *Fair Value Measurements*. FASB ASC 820-10, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair values of investments and endowments, in accordance with significant observable and unobservable inputs, as of December 31, 2015, are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2015
Investments in Certificates of Deposit at Fair Value	\$ 107,355			\$ 107,355
Investments in Securities at Fair Value	_____	\$ 393,236	_____	<u>393,236</u>
Total	<u>\$ 107,355</u>	<u>\$ 393,236</u>	<u>\$ 0</u>	<u>\$ 500,591</u>

The cost of investments and endowments, and net unrealized gains, at December 31, 2015, are as follows:

Cost	\$ 392,676
Net unrealized gains	<u>107,915</u>
	<u>\$ 500,591</u>

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 6 – NOTES PAYABLE

Mortgages and notes payable consisting primarily of 30 year obligations are as follows:

Four, 2.571% to 2.753% trust deeds payable to Citibank, secured by land and building. Payable in monthly installments ranging from \$1,307 to \$7,114.	\$ 604,115
5.90% trust deed payable to Citibank, secured by land and building. Payable in monthly installments of \$10,445, including principal and interest. An original loan began December 1, 1998 with a stated rate of interest of 7.6%. The refinanced loan extends to November 1, 2028.	1,131,127
7.60% trust deed payable to Citibank, secured by land and building. Payable in monthly installments of \$1,271 beginning December 1, 1998.	125,728
Six 10% second trust deeds payable to the City of Irvine, secured by land and buildings. No payments due on this note for the term of thirty years, commencing in May, 1990, providing: The corporation continues to own the residence(s) and the Corporation is not in violation of any provisions of this note or in breach of the regulatory agreement. In the event the Corporation sells or transfers the residence(s), except as permitted in the regulatory agreement during the term or otherwise reaches the regulatory agreement during the term after being given an opportunity to cure as provided, if any, the Corporation shall immediately pay to the City of Irvine, the principal, together with accrued interest at the rate of 10% compounded annually on the principal.	634,500
Non-interest bearing note payable to the City of Garden Grove, secured by land and building. The City of Garden Grove has extended the loan to April, 2021, in exchange for making eight apartment units on Buena Street available at fair market rents to low income households.	30,000
3% note payable secured by a deed of trust, to the City of Anaheim. Interest accrues annually; however payment has been deferred subject to the terms and conditions of the loan agreement. Under the occurrence of default, all principal and interest on the deferred loan may become due in full.	20,000
7.60% trust deed payable to Citibank, secured by land and building. Payable in monthly installments of \$1,942, including principal and interest, beginning December 1, 1998.	192,079
3% trust deed payable to the City of Huntington Beach, secured by land and building. Twenty-five percent of annual residual receipts to be used to repay HOME loan. In event the Corporation refinances a senior loan any time prior to the maturity date, twenty-five percent of the net proceeds must be allocated and paid to the City to reduce the HOME loan. Payments will be applied to accrued interest to the date of such payment, and then to reduce the principal amount owed. If the Corporation is in compliance with the terms of the HOME loan documents on the fifty-fifth anniversary of the date of completion of the project, the principal and accrued interest shall be deemed paid.	305,000

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 6 – NOTES PAYABLE (continued)

<p>5% trust deed payable to City of Anaheim, secured by deed of trust on land and building. The note is for \$1,000,000 of which \$600,000 was used for acquisition of the property leaving \$400,000 remaining for rehabilitation of the property. The rehabilitation funds used is \$124,324. Payments are to be made on the basis of residual receipts. Residual receipts for any fiscal year equals any cash remaining after the payment of a) all sums due after the terms of a take-out loan b) all amounts deposited in the reserve fund for property replacements and c) all obligations of the property other than the take-out loan, and the reserves, including a reasonable management fee. An eight percent return on the corporation's cash equity may be included as an obligation of the property, however, in no event shall the residual receipts for any fiscal year be less than the return in equity received by the Corporation. On May 4, 2011, the Executive Director of the Redevelopment Agency agreed to extend the time of payment to July 1, 2014.</p>	724,324
<p>Non-interest bearing note, payable to Citibank, pursuant to an agreement under the Affordable Housing Program, of the Home Loan Bank of San Francisco. This loan shall be payable if a recapture event, as outlined in the note, occurs within 15 years after recordation. In the case where this event occurs, the outstanding principal balance is immediately due and payable and shall bear interest until paid. If no recapture event occurs, the principal shall be forgiven at the end of the compliance period provided that the Federal Home Loan Bank of San Francisco does not call a recapture event.</p>	11,400
<p>6% trust deed payable to the City of Huntington Beach, secured by land and building. Principal and interest shall be canceled fifty-nine years after execution of this note providing the Corporation does not have any events of default listed in the agreement. In the event the Corporation has an event of default, the Corporation shall immediately pay the City of Huntington Beach the principal together with the accrued interest at the rate of 6% compounded annually on the principal outstanding.</p>	225,000
<p>Non-interest bearing trust deed payable to the City of Huntington Beach secured by land and buildings. No payments are due on this note until the end of the year 2023. In the event the loan agreement is not extended at the end of thirty years, the note shall be due and payable with interest at the rate of 7% compounded annually upon a sale, transfer, or other disposition of the property, (except a sale to a purchaser approved by the Agency), or the Corporation being in material default of any other obligation contained in this agreement, or the Corporation violating any condition of the deed of trust or promissory note, or ceasing to exist as a nonprofit organization.</p>	635,000
<p>7.60% trust deed payable to Citibank, secured by land and building. Payable in monthly installments of \$989, including principal and interest beginning December 1, 1998.</p>	97,420

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 6 – NOTES PAYABLE (continued)

Non-interest bearing note payable to the County of Orange, secured by land and building. Payments are deferred and will become a grant subject to continued use as affordable rental housing for a minimum of 10 years, commencing in 1995. If this condition is not met, the outstanding principal and interest, if any, is due and payable. 290,000

Non-interest bearing trust deed payable to the City of Placentia, secured by land and building. Fifteen payments are due on this note, beginning in the sixteenth year, commencing October, 1995, providing the Corporation does not have any events of default as listed in the agreement. In the event the Corporation has an event of default, the Corporation shall immediately pay the City of Placentia the principal together with accrued interest at the rate of 10% compounded annually on the principal outstanding. 45,000

7.60% trust deed payable to Citibank, secured by land and building. Payable in monthly installments of \$1,271, including principal and interest beginning December 1, 1998. 125,253

6% trust deed payable to the City of Huntington Beach, secured by land and building. Payments are deferred until December 2001. There may be periodic payments under the note. Commencing on the fifth anniversary of the close of escrow and continuing until the thirtieth anniversary of the close of escrow, the Corporation shall make minimum annual payments of \$1,200. If the balance of the residual receipts account is insufficient to fully fund an annual payment, the Corporation agrees to make up any shortfall that may exist in the account so that the annual payment can be made. The Corporation may request that the City reduce, suspend, or forgive an annual payment and may present evidence to the City of its inability to make an annual payment; however, the City reserves the exclusive right in its sole discretion to reduce, suspend, or forgive an annual payment.

All principal and interest on the loan shall be due in full upon the earliest to occur of:

- (1) The occurrence of a default under this agreement, the note, the deed of trust or the agreement containing covenants, which event of default is not cured within the applicable cure period; or
- (2) The thirtieth anniversary of close of escrow. 490,000

7.60% trust deed payable to Citibank, secured by land and building. Payable in monthly installments of \$1,483, including principal and interest beginning December 1, 1998. 146,679

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 6 – NOTES PAYABLE (continued)

Non-interest bearing note payable to Citibank, pursuant to an agreement under the Affordable Housing Program (AHP), of Home Loan Bank of San Francisco. This loan shall be payable if a recapture event, as outlined in the note, occurs within 15 years after recordation. In the case where this event occurs, the outstanding principal balance is immediately due and payable and shall bear interest until paid. If no recapture event occurs, the principal shall be forgiven at the end of the compliance period provided that the Federal Home Loan Bank of San Francisco does not call a recapture event.

32,000

6% trust deed payable to the City of Huntington Beach, secured by land and building. Payments were deferred until January 2002. There may be periodic payments under the note. Commencing on the fifth anniversary of the close of escrow and continuing until the thirtieth anniversary of the close of escrow, the Corporation shall make minimum annual payments of \$1,200. Each annual payment shall be made only to the extent that there exists residual receipts and payment of that portion of the annual payment in excess of residual receipts shall be deferred for future payment as described below; provided, further however, that if the amount of residual receipts exceeds the annual payment which is due and there exists on such payment date any deferred annual payment, the Corporation shall pay to the City all residual receipts up to an amount equal to the sum of the annual payment due on such payment date and the amount of any deferred annual payment from previous years. The Corporation may request that the City reduce, suspend, or forgive an annual payment and the Corporation may present evidence to the City of its inability to make an annual payment; however the City reserves the exclusive right in its sole discretion to reduce, suspend, or forgive an annual payment.

All principal and interest on the loan shall be due in full upon the earliest to occur of:

- (1) The occurrence of a default under this agreement, the note, the deed of trust, or the agreement containing covenants, which event of default is not cured within the applicable cure period; or
- (2) The thirtieth anniversary of the close of escrow.

1,184,990

7.60% trust deed payable to Citibank secured by land and building, payable in monthly principal and interest installments of \$7,661, beginning December 1, 1998, and maturing on December 1, 2028.

757,847

3% trust deed payable to Department of Housing and Community Development of the State of California, secured by land and building. Interest only payments are due each September to the extent that there are residual receipts and any interest unpaid at the end of each twelve month period shall be forgiven. Outstanding principal and accrued, unpaid, and unforgiven interest is due September 2026.

1,000,000

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 6 – NOTES PAYABLE (continued)

3% trust deed payable to City of Buena Park, secured by land and building. Annual payments of interest are deferred if the Corporation is in compliance with the owner participation agreement, principal due September, 2026. 800,000

7.7% trust deed payable to Citibank, secured by land and building, payable in monthly installments of \$1,462 beginning April 1, 1999. 145,393

6% trust deed payable to the City of Huntington Beach, secured by land and building. Annual payments of interest are deferred if the Corporation is in compliance with the owner participation agreement. Principal due November, 2027. There may be periodic payments under the note. Commencing on the fifth anniversary of the close of escrow and continuing until the thirtieth anniversary of the close of escrow, the Corporation shall make minimum annual payments of \$1,200. If the balance of the residual receipts account is insufficient to fully fund an annual payment, the Corporation agrees to make up any shortfall that may exist in the account so that the annual payment can be made. The Corporation may request that the City reduce, suspend, or forgive an annual payment, and the Corporation may present evidence to the City of its inability to make an annual payment; however, the City reserves the exclusive right in its sole discretion to reduce, suspend, or forgive an annual payment.

All principal and interest on the loan shall be due in full upon the earliest to occur of:

(1) The occurrence of a default under this agreement, the note, the deed of trust, or the agreement containing covenants, which event of default is not cured within the applicable cure period; or

(2) The thirtieth anniversary of close of escrow. 380,000

Two non-interest bearing trust deeds payable to the City of Huntington Beach secured by land and building. Such sum shall be immediately due and payable upon any sale, conveyance, transfer, or assignment by contract, all inclusive deed of trust, or otherwise, or further encumbrance, of all or any portion of the real property described in the deed of trust. 111,890

5.75% trust deed payable to Clearinghouse Community Development Financial Institution, secured by land and building. Payable in monthly installments of \$1,530 including principal and interest beginning May 1, 2013. Final payment due April 1, 2023. 252,852

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 6 – NOTES PAYABLE (continued)

Note payable to the City of Huntington Beach (“City”), secured by land and building, non-interest bearing, one-thirtieth of principal forgiven each anniversary date of note. There will be periodic payments under the note. Commencing on the second anniversary of the close of escrow and continuing until the thirtieth anniversary of the close of escrow, the Corporation shall make annual payments of \$1,200 or fifty percent of net operating income. Once the capital reserve is fully funded, the annual payment shall be \$2,400 or 100% of the net operating income. Unpaid and unforgiven principal and interest on the loan shall be due in full upon the occurrence of a default under this agreement, the note, the deed of trust or the agreement, containing covenants, which event of default is not cured within the applicable cure period. 600,000

5.75% trust deed payable to Clearinghouse Community Development Financial Institution, secured by land and building. Payable in monthly installments of \$1,530 including principal and interest beginning May 1, 2013. Final payment due on April 1, 2023. 252,868

Note payable to the City of Huntington Beach (“City”), secured by land and building, simple interest at 6% annum on the principal amount outstanding from the date of the note until paid or forgiven. There may be periodic payments under the note. Commencing on the second anniversary of the close of escrow and continuing every succeeding year during the term of the Owner Participation Agreement, the Corporation shall make annual payments of \$1,200 or fifty percent of net operating income whichever amount is less for payment of this note. The Corporation may request that the City reduce, suspend, renegotiate, or forgive an annual payment, and the Corporation may present evidence to the City of its inability to make an annual payment; however, the City shall have the unfettered discretion to reduce, suspend, renegotiate, or forgive the payment. All principal and interest on the loan shall be due in full upon the earliest to occur of:

- (1) The occurrence of a default under this agreement, the note, the deed of trust or the agreement containing covenants, which event of default is not cured with the applicable cure period; or
- (2) End of the sixty year term of the Owner participation Agreement if the Corporation chooses not to continue to abide by the Regulatory Agreement. 570,000

Nine non-interest bearing trust deeds payable to the City of Santa Ana secured by land and building. These notes are pursuant to an agreement under the HOME agreement. The notes will be payable at the time the units are transferred to a low-income family; an event of default under the loan agreement; or the date that is 30 years after the recordation of the deed of trust. 852,244

5.75% trust deed payable to Clearinghouse Community Development Financial Institution, secured by land and building, payable in monthly installments of \$777 beginning May 1, 2013. Final payment due April 1, 2023. 128,356

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 6 – NOTES PAYABLE (continued)

6% trust deed payable to the City of Huntington Beach, secured by land and building. Payments are deferred until December, 2003. There may be periodic payments under the note. Commencing on the third anniversary of the note, the Corporation shall make annual payments of \$1,200 or 50% of net operating income of the previous year, whichever is less, for repayment of this note. If the balance of the residual receipts is insufficient to fully fund an annual payment, the Corporation agrees to make up any shortfall that may exist in the account so that the annual payment can be made. The Corporation may request that the City reduce, suspend, renegotiate, or forgive an annual payment, and may present evidence to the City of its inability to make an annual payment; however, the City shall have the unfettered discretion to reduce, suspend, renegotiate, or forgive an annual payment. All principal and interest on the loan shall be due in full upon the earliest to occur of:

- (1) The occurrence of a default under this agreement, the note, the deed of trust or the agreement containing covenants, which event of default is not cured within the applicable cure period; or
- (2) End of the sixty year term of the Owner Participation Agreement if the Corporation chooses not to continue to abide by the Regulatory Agreement.

285,000

Non-interest bearing trust deed payable to the City of Fullerton secured by land and building. The City loan shall be immediately due and payable in the event that the Corporation assigns or attempts to assign any portion of the agreement in violation of the terms of the agreement. The City loan shall be forgiven and no payments shall be due on the loan on July 22, 2029, if the Corporation is in compliance with the affordability requirements of the agreement.

185,136

6.25% trust deed payable to Clearinghouse Community Development Financial Institution, secured by land and building. Interest only payments from February 1, 2015, through January 1, 2020, with principal and interest monthly payments of \$7,086 beginning February 1, 2020. Final payment of \$964,606.12 due on January 1, 2030. A trust deed on another property located in Orange County, California is additional collateral on the loan.

1,139,406

Total notes payable	\$ 14,510,607
Less current portion of notes payable	<u>1,052,517</u>
Long term portion of notes payable	<u>\$ 13,458,090</u>

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 6 – NOTES PAYABLE (continued)

Maturities of long term debt are as follows:

Year Ending December 31, 2016	\$ 1,052,518
Year Ending December 31, 2017	266,300
Year Ending December 31, 2018	280,000
Year Ending December 31, 2019	294,500
Year Ending December 31, 2020	299,400
Thereafter	<u>11,265,372</u>
	<u>\$ 13,458,090</u>

NOTE 7 – PRIOR YEAR SUMMARIZED COMPARATIVE DATA

The financial statements include, certain prior-year summarized, comparative, information in total, but does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

NOTE 8 – OPERATING LEASES

The Corporation entered into a six year lease on a renovated facility in Santa Ana. The term of the lease was for six years, effective, January 1, 2012. The Corporation took early possession on December 23, 2011. Base rent was \$4,125.85 a month beginning January 1, 2012, and increased each January 1st in accordance with a schedule that denoted graduating increases for each year. A total of five month's base rent was abated over the term of the lease and was to have been identified as months #2, #13, #23, #25, and #37. All other terms and conditions of the lease were to remain in effect during the months where the base rent was abated.

The terms of the contract were amended firstly on May 12, 2014, to expand the rented premises. Accordingly, the base rent became \$6,054.58 a month beginning August 1, 2014. The terms of the contract were amended secondly on December 15, 2014, to determine the expiration date of the lease agreement which was on June 30, 2015. The base rent was \$6,332.91 a month beginning January 31, 2015. The corporation waived its right to abate month # 37. A one-time termination fee was paid in the amount of \$56,996.19. The corporation vacated the premises on March 31, 2015, and was responsible for the rent for the three months of April, May and June, 2015.

The Corporation leased a copier from Konica Minolta Business Solutions. The term of the lease was for 60 months, which commenced on August 19, 2008. The Corporation made lease payments of \$1,120.60 per month, for the seven remaining months in 2015, totaling \$7,844.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 9 – COMMITMENTS

The Corporation is leasing an eight unit apartment building from the Garden Grove Agency for Community Development. Upon commencement of the lease on June 25, 1990, the Corporation paid the Agency \$175,000 as rent for the fifty year term of the lease. The Corporation is sub-leasing three of the eight units to American Family Housing (formerly referred to as “Shelter for the Homeless”), a public benefit non-profit corporation, and two units To Thomas House Shelter. The sub-lease is also for fifty years. American Family Housing paid the Corporation \$175,000 as rent for the fifty year term of the lease. The rents paid and received in advance are amortized on a straight-line basis over the lives of the leases. The unamortized portion of this rent at December 31, 2015, was \$85,751.

NOTE 10 – CONTINGENT LIABILITIES

The Corporation has five properties in the City of Huntington Beach that have trust deeds with interest payable in the event the Corporation does not comply with the housing agreements with the City. As of December 31, 2015, the Corporation is contingently liable for interest on the five properties. The amount cannot be estimated however, until mortgage balances have been confirmed by the City. Since the mission of the Corporation is to provide housing for extremely low income families it does not foresee any event that would require the payment of the interest.

NOTE 11 – SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through May 13, 2016, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Orange County Community Housing Corporation
Santa Ana, California

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information in Schedules I, II, and III are presented for purposes of additional analysis and are 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. Except for the schedule marked "unaudited" on which we express no opinion, 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.



James G. Davidson, CPA, CGFM, CFE
J G Davidson and Company
Westminster, California
May 13, 2016

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Schedule I

Combining Statement of Financial Position -
Certain Unrestricted and Temporarily Restricted Funds

December 31, 2015

		UNRESTRICTED			
		FUND	TEMPORARILY RESTRICTED FUNDS		
		<u>Replacement</u>	<u>Student</u>	<u>Other</u>	<u>Total</u>
		<u>Reserve</u>	<u>Scholarship</u>	<u>Scholarship</u>	<u>Restricted</u>
		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
CURRENT ASSETS					
Cash		-	\$ 75,225	-	\$ 75,225
Investments		-	-	-	-
	Total Assets	<u>-</u>	<u>75,225</u>	<u>-</u>	<u>75,225</u>
CURRENT LIABILITIES					
None		-	-	-	-
	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Net Assets	<u>\$ -</u>	<u>\$ 75,225</u>	<u>\$ -</u>	<u>\$ 75,225</u>

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Schedule II

Combining Statement of Statement of Activities -
 Certain Unrestricted and Temporarily Restricted Funds
 Year Ended December 31, 2015

	UNRESTRICTED			
	FUND	TEMPORARILY RESTRICTED FUNDS		
	Replacement Reserve Fund	Student Scholarship Fund	Other Scholarship Fund	Total Restricted Funds
REVENUES AND OTHER SUPPORT				
Contributions, net	-	\$ 11,333	-	\$ 11,333
Total Revenues and Other Support	-	11,333	-	11,333
EXPENSES				
Housing repair costs	\$ 16,035	-	-	-
Scholarships provided	-	-	-	-
Total Expenses	16,035	-	-	-
CHANGE IN NET ASSETS				
Increase (decrease) in net assets	(16,035)	11,333	-	11,333
Net Assets, as of the beginning of the year	986,096	63,892	-	63,892
Transfers to general fund	193,442	-	-	-
Net Assets, as of the end of the year	<u>\$ 1,163,503</u>	<u>\$ 75,225</u>	<u>\$ -</u>	<u>\$ 75,225</u>

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Schedule III

Schedule of Property Market Values (Unaudited)

December 31, 2015

Property Address	Number of Units	Estimated Market Value Per Unit	Estimated Total Market Value
10951 Berry, Anaheim 92804-6377	4	\$ 150,000	\$ 600,000
25942 Domingo, Dana Point 92624	24	150,000	3,600,000
8702 La Salle, Cypress 90630-6008	4	150,000	600,000
8692 La Salle, Cypress 90630-6009	4	150,000	600,000
920/930 Vista, Placentia 92670	8	150,000	1,200,000
14162 Buena, Garden Grove 92843-4440	8	150,000	1,200,000
418 S. Poplar, Santa Ana 92703-3719	1	250,000	250,000
14024 Buena, Garden Grove 92843-4318	8	150,000	1,200,000
14021,41,61 Buena, Garden Grove 92843	20	150,000	3,000,000
252 Streamwood, Irvine 92620-1943	1	200,000	200,000
164 Tangelo, Irvine 92618-4470	1	200,000	200,000
92 Eaglepoint, Irvine 92604-3348	1	200,000	200,000
7 Streamwood, Irvine 92620-1936	1	200,000	200,000
95 Firwood, Irvine 92604-4637	1	200,000	200,000
62 Sparrowhawk, Irvine 92604-3258	1	200,000	200,000
1782 S. Carnelian, Anaheim 92802-2427	1	250,000	250,000
1105, 1107, 1109 N. Citron, Anaheim 92801	12	150,000	1,800,000
17372 Keelson, Huntington Beach 92647-5952	4	150,000	600,000
313 11th Street, Huntington Beach 92648-4563	9	150,000	1,350,000
415, 421 Ramona, Placentia 92870	6	150,000	900,000
17361, 17371 Koledo Lane, Huntington Beach 92647	10	150,000	1,500,000
7602-7638 9th Street, Buena Park 90621	38	150,000	5,700,000
17422, 17432 Queens, Huntington Beach 92647	8	150,000	1,200,000
300 W. Carriage C, Santa Ana 92707-4154	1	200,000	200,000
430 W. Carriage D, Santa Ana 92707-4167	1	200,000	200,000
201 W. Carriage D, Santa Ana 92707-4138	1	200,000	200,000
2760 W. Segerstrom E, Santa Ana 92704-6546	1	200,000	200,000
1725 W. 3rd Street B, Santa Ana 92703-3364	1	200,000	200,000
809 S. Diamond, Santa Ana 92704-2813	1	250,000	250,000
1705 S. Spruce, Santa Ana 92704-4303	1	250,000	250,000
1001 W. Stevens 172, Santa Ana 92707	1	150,000	150,000
1001 W. Stevens 192, Santa Ana 92707	1	150,000	150,000
17351, 17291 Koledo Lane, Huntington Beach 92647	8	150,000	1,200,000
17432, 17401 Koledo Lane, Huntington Beach 92647	10	150,000	1,500,000
17421 Koledo Lane, Huntington Beach 92647	10	150,000	1,500,000
17412 Koledo Lane, Huntington Beach 92647	5	150,000	750,000
Condo – Oxford	1	300,000	300,000
Office Building – Golden Circle	1	1,350,000	<u>1,350,000</u>
Total Estimated Fair Market Value			<u>\$ 35,150,000</u>
Cost – Buildings		\$ 13,996,004	
Cost – Land		6,022,701	
Accumulated Depreciation		<u>(7,957,801)</u>	
Net Book Value			<u>12,060,904</u>
Estimated market value in excess of book value (net)			<u>\$ 23,089,096</u>

SUPPLEMENTAL REPORT

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

To the Board of Directors
Orange County Community Housing Corporation
Santa Ana, California

We have audited the financial statements of Orange County Community Housing Corporation (a California non-profit organization) as of and for the year ended December 31, 2015, and have issued our report thereon dated May 13, 2016. 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.

Internal Control over Financial Reporting

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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.

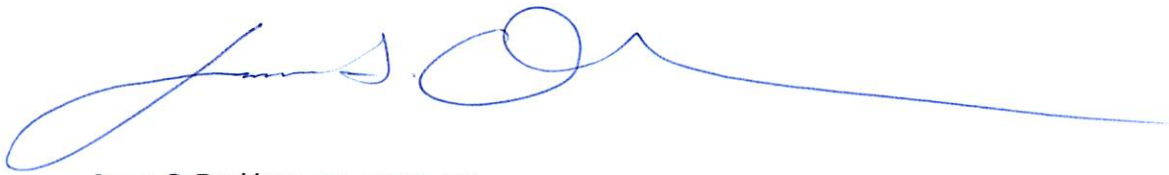
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and 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*.

We noted certain matters that were reported to management of the Corporation in a separate letter dated May 13, 2016.

This report is intended solely for the information and use of management, the Board of Directors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



James G. Davidson, CPA, CGFM, CFE
J G Davidson and Company
Westminster, California
May 13, 2016