

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Report on Audited Consolidated Financial Statements

Year Ended December 31, 2016

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

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Year Ended December 31, 2016

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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 consolidated financial statements of the Orange County Community Housing Corporation (a California non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements. The consolidation includes assets, liabilities, net assets, revenue, and expense, as well as related notes to the consolidated financial statements for two entities; 84 New ETHIC LLC and Paramount Family Irvine Housing Partners, L.P. These entities were audited by other auditors. In their reports, each issued unqualified (unmodified) opinions. The prior year summarized comparative information has been derived from the Orange County Community Housing Corporation's December 31, 2015, financial statements, and in our report dated May 13, 2016, 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 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 consolidated 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 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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.

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, 2016, in the amount of \$5,818,612. See "Note 11 – Contingent Liabilities" on page 19 for explanation.

Opinion

In our opinion, except as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Orange County Community Housing Corporation as of December 31, 2016, and the changes in its consolidated net assets and its consolidated 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 August 10, 2017, 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
August 10, 2017

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Consolidated Statement of Financial Position
December 31, 2016 with Summarized Totals for December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals Dec. 31, 2016	Totals Dec. 31, 2015
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 17,331,664	\$ 136,537	-	\$ 17,468,201	\$ 357,923
Investments	312,235	-	-	312,235	298,938
Endowments	56,507	6,542	\$ 260,886	323,935	201,653
Accounts receivable, net	27,809	-	-	27,809	33,670
Miscellaneous receivables	2,000	-	-	2,000	175,618
Construction in process	9,064,903	-	-	9,064,903	346,327
Prepaid rent, current portion	3,500	-	-	3,500	3,500
Prepaid event expense	3,000	-	-	3,000	-
Total Current Assets	26,801,618	143,079	260,886	27,205,583	1,417,629
Property and Equipment:					
Buildings and improvements	14,594,117	-	-	14,594,117	13,996,004
Land	17,913,143	-	-	17,913,143	6,022,701
Furniture and fixtures	81,245	-	-	81,245	81,245
Vehicles	14,144	-	-	14,144	14,144
Total Property and Equipment	32,602,649	-	-	32,602,649	20,114,094
Accumulated depreciation	(8,363,555)	-	-	(8,363,555)	(8,033,894)
Net Property and Equipment	24,239,094	-	-	24,239,094	12,080,200
Other Assets:					
Prepaid rent, net of current portion	78,751	-	-	78,751	82,251
Total Other Assets	78,751	-	-	78,751	82,251
Total Assets	\$ 51,119,463	\$ 143,079	\$ 260,886	\$ 51,523,428	\$ 13,580,080

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

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Consolidated Statement of Financial Position (continued)

December 31, 2016 with Summarized Totals for December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals Dec. 31, 2016	Totals Dec. 31, 2015
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable	\$ 2,594,609	-	-	\$ 2,594,609	\$ 44,225
Notes payable, current portion	1,036,671	-	-	1,036,671	1,052,517
Accrued interest payable, current portion	806,303	-	-	806,303	762,676
Deferred rent payable, current portion	3,500	-	-	3,500	3,500
Due to Fiscal Agent	95,157	-	-	95,157	-
Due to affiliates	1,323	-	-	1,323	-
	<u>4,537,563</u>	<u>-</u>	<u>-</u>	<u>4,537,563</u>	<u>1,862,918</u>
Long-Term Liabilities:					
Notes payable, net of current portion	35,610,555	-	-	35,610,555	13,458,090
Accrued interest payable, net of current portion	628,525	-	-	628,525	575,004
Deferred rent payable, net of current portion	78,751	-	-	78,751	82,251
Tenant deposits payable	196,642	-	-	196,642	199,527
	<u>36,514,473</u>	<u>-</u>	<u>-</u>	<u>36,514,473</u>	<u>14,314,872</u>
Total Long-Term Liabilities					
	41,052,036	-	-	41,052,036	16,177,790
Net Assets:					
Controlling unrestricted	3,812,625	-	-	3,812,625	(2,874,588)
Noncontrolling unrestricted interest in 84 New ETHIC LLC	4,322,804	-	-	4,322,804	-
Noncontrolling unrestricted interest in Paramount FIHP, L.P.	1,931,998	-	-	1,931,998	-
Temporarily restricted	-	\$ 143,079	-	143,079	116,878
Permanently restricted	-	-	\$ 260,886	260,886	160,000
	<u>10,067,427</u>	<u>143,079</u>	<u>260,886</u>	<u>10,471,392</u>	<u>(2,597,710)</u>
Total Net Assets					
	\$ 51,119,463	\$ 143,079	\$ 260,886	\$ 51,523,428	\$ 13,580,080
Total Liabilities and Net Assets					

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

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Consolidated Statement of Activities

Year Ended December 31, 2016 with Summarized Totals for the Year Ended December 31, 2015

REVENUES	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2016	Totals 2015
Revenues and Other Support:					
Low-income housing rent and laundry revenue	\$ 2,791,186	-	-	\$ 2,791,186	\$ 2,674,019
Program services	31,544	-	-	31,544	36,815
Contributions and grants	354,323	\$ 10,000	-	364,323	228,174
In-kind contributions	2,888	-	-	2,888	5,911
Interest and dividends, net of fees	4,873	-	-	4,873	6,480
Net unrealized gains (losses)	36,293	-	-	36,293	(12,725)
Fund-raising, net of expenses of \$29,391	95,849	-	-	95,849	9,983
Office rent, net of expenses of \$67,807	3,274	-	-	3,274	(29,775)
60% majority interest in net income of 84 New Ethic LLC	6,517,205	-	-	6,517,205	-
Fiscal Agent fee	30,000	-	-	30,000	-
Managing member fees	10,259	-	-	10,259	-
Reimbursed expenses	42,563	-	-	42,563	92,556
Miscellaneous revenue	23,572	-	-	23,572	2,352
Revenues and Other Support	9,943,829	10,000	-	9,953,829	3,013,790
 CURRENT YEAR RESTRICTIONS AND (RELEASES)					
Increase in Allen Baldwin Legacy Endowment	(107,428)	6,542	\$ 100,886	-	-
Increase in Stepping Up Endowment	(14,854)	14,854	-	-	-
Increase (decrease) in Student Scholarship Account	5,195	(5,195)	-	-	-
Total Current Year Restrictions and (Releases)	(117,087)	16,201	100,886	-	11,333
Total Revenues	\$ 9,826,742	\$ 26,201	\$ 100,886	\$ 9,953,829	\$ 3,025,123

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

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Consolidated Statement of Activities (continued)

Year Ended December 31, 2016 with Summarized Totals for the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2016	Totals 2015
TOTAL REVENUES from previous page	\$ 9,826,742	\$ 26,201	\$ 100,886	\$ 9,953,829	\$ 3,025,123
EXPENSES					
Functional Expenses:					
Program services	2,820,554	-	-	2,820,554	3,014,195
Supporting services / management and general	198,115	-	-	198,115	269,828
Supporting services / fund-raising	120,859	-	-	120,859	109,872
Total Functional Expenses	3,139,528	-	-	3,139,528	3,393,895
CHANGE IN NET ASSETS					
Net increase (decrease) in net assets	6,687,214	26,201	100,886	6,814,301	(368,772)
Net assets (deficit), as of the beginning of the year	(2,874,588)	116,878	160,000	(2,597,710)	(2,228,938)
Net assets (deficit), as of the end of the year	\$ 3,812,626	\$ 143,079	\$ 260,886	\$ 4,216,591	\$ (2,597,710)

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

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Consolidated Statement of Functional Expenses

Year Ended December 31, 2016 with Summarized Totals for the Year Ended December 31, 2015

<u>EXPENSES BY FUNCTION</u>	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>		<u>Totals 2016</u>	<u>Totals 2015</u>
	Housing, Stepping Up, Scholarships, and Family Mentoring	Management and General	Fund-raising			
Administrative salaries and wages	\$ 432,208	\$ 53,418	\$ 89,856		\$ 575,482	\$ 630,653
Administrative employee benefits	123,631	4,272	7,476		135,379	124,010
Administrative employee leasing	84,169	3,625	6,344		94,138	112,380
Amortization	-	-	-		-	87,974
Association dues	85,560	-	-		85,560	92,494
Auto reimbursement	8,463	155	271		8,889	14,966
Bad debts	28,912	-	-		28,912	28,325
College awareness and testing	67,979	-	-		67,979	18,615
Conferences	175	-	-		175	-
Contributions	5,980	-	-		5,980	11,105
Depreciation	318,767	852	791		320,410	328,238
Dues and subscriptions	8,911	718	1,257		10,886	1,309
Family mentoring	350	-	-		350	1,050
Information technology	14,380	1,287	2,028		17,695	17,940
Insurance	110,267	690	1,207		112,164	109,331
Interest	399,640	-	-		399,640	397,351
Investment fees	-	6,402	-		6,402	7,074
Janitorial	8,546	-	-		8,546	4,993
Maintenance	286,200	-	-		286,200	271,532
Marketing	3,186	7,925	-		11,111	13,211
Miscellaneous	6,575	14,551	-		21,126	10,871
Office supplies and expense	59,324	4,292	7,254		70,870	131,717
Professional services	16,717	99,128	-		115,845	103,284
Property taxes	90,892	-	-		90,892	-
Relocation	1,500	-	-		1,500	53,010
Rent	-	-	-		-	51,804
Rent expenses - other	3,500	-	-		3,500	3,500
Repairs	327,895	-	-		327,895	290,560
Residuals	34,908	-	-		34,908	45,811
Scholarships	5,994	-	-		5,994	12,135
Special events	-	-	4,375		4,375	40,712
State Franchise Tax	-	800	-		800	-
Utilities	285,925	-	-		285,925	377,940
Total Expenses by Function	\$ 2,820,554	\$ 198,115	\$ 120,859		\$ 3,139,528	\$ 3,393,895

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

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Consolidated Statement of Cash Flows

Years Ended December 31, 2016 and December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2016</u>	<u>2015</u>
Increase (decrease) in net assets	\$ 6,814,301	\$ (368,772)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation expense	320,410	328,238
Net unrealized (gain) loss on investments	(36,293)	12,725
Mortgage relief	-	(2,352)
Amortization of prepaid rent	3,500	3,500
Amortization of deferred rent payable	(3,500)	(3,500)
Decrease in accounts receivable	5,861	9,785
(Increase) decrease in miscellaneous receivables	173,618	(175,618)
Decrease in other non-current receivables	-	6,077
(Increase) in construction in process	(8,718,576)	(12,916)
Increase in prepaid event expense	(3,000)	-
Decrease in security deposit	-	14,203
Increase (decrease) in accounts payable	2,550,384	(53,037)
Increase in accrued interest payable	97,148	79,479
Decrease in deferred testing service costs	-	87,974
Increase in amount due to Fiscal Agent	95,157	-
Increase in amount due to affiliates	1,323	-
Increase (decrease) in tenant deposits payable	(2,885)	3,757
Net Cash Provided by (Used for) Operating Activities	1,297,448	(70,457)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Barton property land	(893,483)	-
Purchases of property renovations, landscaping, and equipment	(598,113)	(140,028)
Purchases of investments	(100,886)	-
Interest and dividends reinvested, net of investment fees	(4,873)	-
Purchase of land 84 New ETHIC LLC	(4,398,784)	-
Net proceeds from sale of Grayson property	-	208,815
Liquidation of investment funds	-	81,606
Investment fees and contributions made, net of interest and dividends received	-	2,092
Net Cash Provided by (Used for) Investing Activities	(5,996,139)	152,485
 CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowing on Paramount Family Irvine Housing Partners, L.P. construction	21,140,598	-
Net borrowing on Barton property	922,350	-
Completed rental property principal payment obligations	(253,979)	(282,865)
Net Cash Provided by (Used for) Financing Activities	21,808,969	(282,865)
 CHANGE IN CASH AND CASH EQUIVALENTS		
Net increase (decrease) in cash and cash equivalents	17,110,278	(200,837)
Cash and cash equivalents, as of the beginning of the year	357,923	558,760
Cash and cash equivalents, as of the end of the year	\$ 17,468,201	\$ 357,923

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

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements

Year Ended December 31, 2016

NOTE 1 – NATURE OF ORGANIZATION

Mission - 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-three apartment buildings, which aggregate two hundred twenty-eight 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.

Management - During 2017, the Corporation will celebrate 40 years of service to extremely low-income families and also its fourth year under the leadership of Executive Director, Nora Mendez. Ms. Mendez succeeds founding Executive Director, Allen Baldwin, who remains with the organization in an advisory capacity.

Collaboration, Family Mentoring and Education – Always determined to provide affordable housing for more low-income families, the Corporation entered into an operating agreement with SBC Community Homeless Coalition, a California nonprofit public benefit corporation, and American Riding Club for the Handicapped, also a California nonprofit public benefit corporation. Together, members continue efforts in the planning of affordable units in the Great Park of the City of Irvine. The Corporation also provides the necessary services to assist in fighting poverty through its signature program “Stepping Up”. This program integrates educational opportunities and family mentoring, through its scholarship programs, by encouraging low-income families to improve their education, job skills, health care, and financial literacy.

84 New ETHIC LLC – Formed on December 22, 2015, Orange County Community Housing Corporation is the Managing Member with a 60% ownership interest. The purpose of the entity is to: (a) enter into a purchase and sale agreement for the acquisition of vacant land in Irvine, California, (b) enter into a ground lease of the land with the Limited partnership developing an 84 unit affordable housing project, (c) acquire a long term loan with the partnership and (4) obtain an option to purchase the development. Construction began June 6, 2016, and was still progressing as of December 31, 2016, with expected completion in the summer of 2017. The Corporation reports assets, liabilities, net assets, revenue, and expense of 84 New ETHIC, LLC as non-controlling unrestricted.

Paramount Family Irvine Housing Partners, L.P. (Partnership) – Also identified as “Paramount FIHP, L.P.” was formed on October 19, 2015. Orange County Community Housing Corporation is the Managing General Partner with a .005% ownership interest. The Partnership intends to qualify for low-income housing credits in accordance with Section 42 of the Internal Revenue Code as enacted by the Tax Reform Act of 1986. Generally, the low-income housing credit is computed as a percentage of the qualified basis of the property and is allowed during a period of ten years commencing with the year the building is placed in service. The applicable units must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the credits. The partnership shall continue until December 31, 2076, unless sooner terminated as provided in the Partnership Agreement. The Corporation reports assets, liabilities, net assets, revenue, and expense of Paramount Family Irvine Partners, LP, as non-controlling unrestricted.

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*.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

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. Unrestricted net assets are further classified as either *controlling*, where operating decisions are exclusively under management control, or *non-controlling*, where operating decisions are not exclusively under management control.
- (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 zero as of December 31, 2016, and \$20,000 as of December 31, 2015.

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.

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.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 College Awareness Project of Stepping UP focuses on educating “6-12 students” and “post secondary 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.

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, 2016. Tax years 2014 through 2016 remain subject to examination by taxing authorities.

NOTE 3 – 84 NEW ETHIC LLC

The Corporation owns a 60% interest in 84 New ETHIC LLC, constituting \$6,750,871 of total members’ equity of \$11,407,009, as of December 31, 2016.

The following is a summary of relevant financial statement information of 84 New ETHIC LLC, as of December 31, 2016.

Assets	\$ 11,690,662
Liabilities	283,653
Members’ equity	11,407,009

Net income for the year ended December 31, 2016 \$ 11,462,009

Property – In June 2016, the LLC acquired land for a total consideration of \$1. The transaction was determined to be a contribution of the land. The purchase was accounted for at fair market value with the amount in excess of the consideration recognized as land contribution revenue. The LLC recorded the land at \$10,965,000.

Revenue Recognition – Developer fees are recognized during the construction period based on the percentage of construction completed. Amounts received but not earned are recorded as deferred revenue. Amounts not received by the completion date are recorded as a receivable. Upon commencement of the ground lease agreement, the LLC will recognize its lease revenue on a straight-line basis over the life of the lease. Other revenue is recognized when earned.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements

Year Ended December 31, 2016

NOTE 3 – 84 NEW ETHIC LLC (continued)

Developer Fee – The LLC is entitled to receive a developer fee from the Partnership in which the LLC's Managing Member is a General Partner for services rendered in negotiating, coordinating, and supervising the planning, architectural, engineering, and construction services necessary for the development of the project on the land.

Management Fees – As Managing Member, the Corporation is entitled to a management fee for operating the LLC. Management fees of \$15,059 were incurred in 2016. As of December 31, 2016, management fees of \$4,800 remained unpaid.

NOTE 4 – PARAMOUNT FAMILY IRVINE HOUSING PARTNERS, L.P.

The Corporation owns a .005% interest in Paramount Family Irvine Housing Partners, L.P., constituting \$97 of total partnership equity of \$1,931,998, as of December 31, 2016.

The following is a summary of relevant financial statement information of Paramount Family Irvine Housing Partners, L.P., as of December 31, 2016.

Assets	\$ 25,578,014
Liabilities	23,646,016
Partners' equity	1,931,998

Net loss since (inception) October 19, 2015, through December 31, 2016 \$ 1,286

Costs Capitalized During Construction – Interest expense, real estate taxes, and insurance related to the construction period have been capitalized and are included in construction in progress. Expenditures for repairs and betterments, which do not materially extend the life of an asset, are charged to expense when incurred.

Unamortized Costs – Costs, when incurred, related to obtaining low-income housing credits will be deferred and amortized using the straight-line method over fifteen years. The partnership accounts for ground lease as an operating expense.

Rental Revenue – Upon completion of the property, rental revenue will be recognized, as rents become due. Advance rental receipts are deferred until earned. All leases between the partnership and residents of constructed property will be operating leases.

Accounting for Uncertainty in Income Taxes – The partnership is treated as a pass-through entity for income tax purposes and, as such, is not subject to income tax. Rather, all items of taxable income, deductions, and tax credits are passed through to and are reported by its owners on their respective tax returns.

Reserve for Replacements – The partnership will be obligated to make monthly deposits to a reserve for replacements in the amount of \$300 per unit per year, increasing 10% every five years or greater, as required by any lender or the Managing General Partner. The reserve is to be used to fund repairs, capital expenditures, and other costs as approved. As of December 31, 2016, the conditions required to trigger the funding of the reserve for replacements had not occurred, and as such, the reserve for replacements balance was not required to be funded.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2016

NOTE 4 – PARAMOUNT FAMILY IRVINE HOUSING PARTNERS, L.P. (continued)

Operating Reserve – An operating reserve of at least \$192,564, in accordance with the Partnership Agreement, is to be funded upon the third capital installment. The operating reserve shall be used to pay operating deficits and shall be replenished in accordance with distributions of cash flow, as defined, in the Partnership Agreement. Withdrawals require the consent of the Limited Partner, U.S. Bancorp Community Development Corporation. As of December 31, 2016, the third capital installment had not occurred, and therefore, the operating reserve was not required to be funded.

Ground Lease – The partnership entered into a ground lease with 84 New ETHIC LLC. The lease term commenced June 6, 2016, and shall continue for a term of 57 years. The partnership is obligated to pay all costs, expenses, and obligations with respect to the property, including real estate, insurance, utilities, operating costs, and costs of maintenance. The partnership is required to maintain the property for low-income residents at affordable rents once operations commence. At the expiration or termination of the lease, all improvements shall become the property of 84 New ETHIC LLC. The lease expires June 3, 2073, unless extended or sooner terminated, pursuant to the terms of the lease. Annual rental payments shall not commence until May 1 of the year following the first anniversary of the Stabilization Date, as defined. Annual ground lease rent for the first ten years is \$220,000 plus an amount equal to 22.5% of residual receipts, as defined, for the previous calendar year (“Residual Receipts Rent”). Thereafter, annual rent shall be the sum of \$1 and the Residual Receipts Rent.

Partnership Management Fee – Pursuant to the Partnership Agreement, the partnership shall pay to the Managing General Partner, OCCHC Paramount LLC, an annual partnership management fee in an amount up to \$25,000, increasing annually by the Consumer Price Index (CPI). The fee is payable from available cash flow, as defined, and shall not accrue. No amounts were incurred for this fee for the period (inception) October 19, 2015, through December 31, 2016.

Supervisory Management Fee – Pursuant to the Partnership Agreement, the partnership shall pay to the Administrative General Partner, Paramount Family Irvine Development Company LLC, an annual supervisory management fee in an amount of up to \$15,000, increased annually by the CPI. The fee is payable from available cash flow, as defined, and shall not accrue. No amounts were incurred for this fee for the period (inception) October 19, 2015, through December 31, 2016.

Asset Management Fee – Pursuant to the Partnership Agreement, the partnership shall pay to the Limited Partner, U.S. Bancorp Community Development Corporation, for its annual review of the operations and to reimburse the Limited Partner for the costs and expenses of its credit compliance review, an asset management fee in the annual amount of \$5,000. The fee shall commence in 2017 (prorated for that year), and will increase by 10% every five years. The fee is cumulative and payable from available cash flow. For the period (inception) October 19, 2015, through December 31, 2016, no fees were incurred.

Property Management Agreement – The partnership shall enter into an agreement with Related Management Company, L.P., an affiliate of the Administrative General Partner, in connection with the management of the property’s rental operations, once operations have commenced. The agreement shall provide for a management fee not to exceed 6% of the property’s gross rental receipts. No amounts were incurred or paid for this fee for the period (inception) October 19, 2015, through December 31, 2016.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2016

NOTE 4 – PARAMOUNT FAMILY IRVINE HOUSING PARTNERS, L.P. (continued)

Due to Affiliates – During the period (inception) October 19, 2015, through December 31, 2016, affiliates of the Administrative General Partner advanced funds to the partnership for development related expenditures, totaling \$818,466. As of December 31, 2016, \$1,323 of the obligation remained to be paid.

Developer Fee – The partnership entered into an agreement with Related Development Company of California, an affiliate of the Administrative General Partner and 84 New ETHIC LLC, to provide certain services with respect to overseeing the development of the property for the partnership. This agreement provides for a total fee in the amount of \$2,500,000. Per the agreement, the fee is to be payable to the developers as follows: 50% shall be paid to Related Development Company of California, and 50% to 84 New ETHIC LLC. The developer fee will be earned in its entirety as of the date of construction completion. As of December 31, 2016, \$1,250,000 of developer fees have been incurred and paid.

Completion of Development Guaranty – Pursuant to the Partnership Agreement, the Related Companies, L.P. (“Guarantor”) an affiliate of the Administrative General Partner, shall cause the partnership to complete all development completion requirements as defined in the partnership Agreement, and shall advance funds to the partnership that shall be necessary to accomplish these requirements. Funds advanced shall be treated as interest free loans to the partnership and shall be repayable according to the distribution of cash flow, as defined. As of December 31, 2016, no amount was due under this guaranty.

Operating Deficit Guaranty – Pursuant to the Partnership Agreement, the “Guarantor”, an affiliate of the Administrative General Partner, is obligated to provide funds to the partnership for operating deficits. Any amounts funded under this guaranty shall be in the form of a loan to the partnership and shall bear no interest. The maximum operating deficit loan is \$459,000. This guaranty shall be in effect until such conditions as are defined in the Partnership Agreement occur. For the period (inception) October 19, 2015, through December 31, 2016, no amount was due under this guaranty.

Development Fee Guaranty – Pursuant to the Partnership Agreement, to the extent that all or any part of the developer fee, together with any interest thereon, if any, is not paid by the date of construction completion, such developer fee shall bear interest at the long-term applicable federal rate in effect as of the construction completion date. To the extent not sooner paid from cash flow or capital proceeds, all unpaid developer fees, together with applicable interest, shall be paid 50% by the Administrative General Partner, and 50% by the Managing General Partner, OCCHC Paramount LLC, to the partnership as a development fee advance, on the 13th anniversary of the date of construction completion. Any amounts funded under this guaranty shall be in the form of a loan to the partnership and shall bear no interest, repayable from available cash flow, as defined. The Administrative General Partner’s obligation shall be guaranteed by the Guarantor. For the period (inception) October 19, 2015, through December 31, 2016, no amount was due under guaranty.

Credit Adjuster Guaranty – Pursuant to the Partnership Agreement, the Guarantor, an affiliate of the Administrative General Partner, guarantees due and punctual payment and performance of all obligations set forth in the Partnership Agreement. In the event that, at any time or from time to time during the term of this guaranty, a Credit Adjuster Payment is required pursuant to the partnership Agreement, the Guarantor shall advance to the limited partner the amount of the required Credit Adjuster Payment. As of December 31, 2016, no amounts were due under this guaranty.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2016

NOTE 4 – PARAMOUNT FAMILY IRVINE HOUSING PARTNERS, L.P. (continued)

Partners' Equity – Income and loss shall be allocated .005% to the Administrative General Partner, .005% to the Managing General Partner, and 99.99% to the Limited Partner. The Partnership Agreement requires the Limited Partner to make capital contributions of \$12,887,892. Capital contributions of the Limited Partner are subject to adjustments as defined in the Partnership Agreement. In accordance with the Partnership Agreement, the Administrative General Partner and the Managing General Partner are each required to make capital contributions of \$50. As of December 31, 2016, the Limited Partner has funded \$1,933,184 of its required capital contributions, and the remaining balance of \$10,954,708 will be funded in accordance with the terms of the Partnership Agreement. As of December 31, 2016, the Administrative General partner and Managing General Partner have made their required capital contributions.

NOTE 5 – CASH AND INVESTMENTS

Cash and investments, including endowments, consisted of the following at December 31, 2016:

	Cash and Cash <u>Equivalents</u>	Investments/ <u>Endowments</u>	<u>Total</u>
Demand deposits – Corporation	\$ 1,329,176		\$ 1,329,176
Demand deposits – 84 New ETHIC LLC	443,828		443,828
Demand deposits – Paramount FIHP, L.P.	1,921,354		1,921,354
Certificates of deposit – Corporation		\$ 108,158	108,158
Certificates of deposit – Paramount FIHP, L.P.		13,717,357	13,717,357
Money market mutual funds – Corporation	56,486		56,486
Pooled income funds – Corporation		<u>528,012</u>	<u>528,012</u>
Totals	<u>\$ 3,750,844</u>	<u>\$ 14,353,527</u>	<u>\$ 18,104,371</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, 2016. 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, 2016

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 \$204,077 at December 31, 2016.

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 \$216,507, at December 31, 2016.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2016

NOTE 5 – CASH AND INVESTMENTS (continued)

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.

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, 2016, as follows:

Stepping UP Endowment Fund	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment, December 31, 2015	\$ 41,653	\$ 160,000	\$ 201,653
Investment fees, net of interest and dividend revenue	(421)		(421)
Net unrealized loss	<u>15,275</u>		<u>15,275</u>
Endowment, December 31, 2016	<u>\$ 56,507</u>	<u>\$ 160,000</u>	<u>\$ 216,507</u>

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2016

NOTE 6 – 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, 2016, 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, 2016
Investments in Certificates of Deposit at Fair Value	\$ 108,158			\$ 108,158
Investments in Securities at Fair Value	_____	\$ 528,012	_____	528,012
Total	<u>\$ 108,158</u>	<u>\$ 528,012</u>	<u>\$ 0</u>	<u>\$ 636,170</u>

The cost of investments and endowments, and net unrealized gains, at December 31, 2016, are as follows:

Cost	\$ 491,962
Net unrealized gains	<u>144,208</u>
	<u>\$ 636,170</u>

ORANGE COUNTY COMMUNITY HOUSING CORPORATION
Notes to Financial Statements
Year Ended December 31, 2016

NOTE 7 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The Corporation paid cash during the year for:	<u>2016</u>	<u>2015</u>
Interest	\$ 307,979	\$ 313,894
Income taxes	None	None

NOTE 8 – NONCASH INVESTING AND FINANCING ACTIVITIES

The Corporation borrowed during the year for:	<u>2016</u>	<u>2015</u>
To purchase residential real estate properties - Corporation	\$ 1,250,000	\$ 305,000
To pay for construction - Paramount FIHP, L.P.	21,140,598	None

NOTE 9 – 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, 2015, from which the summarized information was derived.

NOTE 10 – OPERATING LEASES

The Corporation leased a copier from Konica Minolta Business Solutions. The term of the lease was for 60 months, which commenced on December 12, 2012. The Corporation made lease payments of \$1,520.82 per month, for 2016, totaling \$18,250.

NOTE 11 – 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, 2016, the Corporation is contingently liable for interest on the six 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 12 – OPERATING CONTINGENCY

A pending transfer of all assets and liabilities of Community Housing Resources, Inc. to Orange County Community Housing Corporation has been approved by both Boards of Directors and will occur as soon as regulatory approvals are obtained.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2016

NOTE 13 – NOTES PAYABLE DUE ON COMPLETED PROPERTIES

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.	\$ 462,414
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.	1,070,910
7.60% trust deed payable to Citibank, secured by land and building. Payable in monthly installments of \$1,271 beginning December 1, 1998.	119,829
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.	183,067
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, 2016

NOTE 13 – NOTES PAYABLE DUE ON COMPLETED PROPERTIES (continued)

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.

724,324

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.

11,400

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.

225,000

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.

635,000

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.

92,803

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements

Year Ended December 31, 2016

NOTE 13 – NOTES PAYABLE DUE ON COMPLETED PROPERTIES (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. 119,317

6% trust deed payable to the City of Huntington Beach, secured by land and building. Payments were 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. 139,797

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements

Year Ended December 31, 2016

NOTE 13 – NOTES PAYABLE DUE ON COMPLETED PROPERTIES (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.

1,216,723

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.

722,291

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 un-forgiven interest is due September 2026.

1,000,000

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements

Year Ended December 31, 2016

NOTE 13 – NOTES PAYABLE DUE ON COMPLETED PROPERTIES (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. 138,821

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. 249,135

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements

Year Ended December 31, 2016

NOTE 13 – NOTES PAYABLE DUE ON COMPLETED PROPERTIES (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 un-forgiven 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.

249,152

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.

126,469

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2016

NOTE 13 – NOTES PAYABLE DUE ON COMPLETED PROPERTIES (continued)

6% trust deed payable to the City of Huntington Beach, secured by land and building. Payments were 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

3% HOME trust deed to the City of Huntington Beach, secured by land and building. Simple interest will accrue from the date of disbursement. If the Corporation is in compliance with the terms of the HOME loan documents on the fifteenth (15th) anniversary of the date of completion of the project, (which will be referred to herein as the "maturity date"), the principal and accrued interest shall be deemed paid by the Corporation's compliance and no further funds shall be due from the Corporation under this HOME promissory note.

ORANGE COUNTY COMMUNITY HOUSING CORPORATION
Notes to Financial Statements
Year Ended December 31, 2016

NOTE 13 – NOTES PAYABLE DUE ON COMPLETED PROPERTIES (continued)

Prior to the maturity date, the Corporation will be obligated to repay the HOME loan as follows: (a) The Corporation must utilize twenty percent (20%) of residual receipts with respect to each calendar year to repay the HOME loan. (b) In the event the Corporation refinances a senior loan at any time prior to the maturity date, twenty percent (20%) of the net proceeds must be allocated and paid to the City to reduce the HOME loan. (c) All payments to the City will be applied first to the payment of all expense, charges, cost and fees incurred by or payable to the City by the Corporation pursuant to the terms of the HOME loan documents (in such order and manner as the City, in its sole discretion, may elect), then to the payment of all interest accrued to the date of such payment, and then to reduce the principal amount owed. All prepayment of principal on this HOME promissory note will be applied to the most remote principal installment or installments until paid. Notwithstanding anything to the contrary contained herein, after the occurrence and during the continuation of an uncured default under HOME deed of trust, all amounts received by the City from any party will be applied in such order as the City, in its sole discretion, may elect.

781,220

Non-interest bearing trust deed payable to the City of Huntington Beach secured by land and building. The Corporation shall not make any sale, assignment or conveyance, or transfer in any other form, of the site, or any part thereof, or interest therein without the express written consent of the holder set forth of Section 2.5 of the agreement.

Commencing on the third anniversary of the effective date of the agreement, and every succeeding year during the 55-year term of this note, the Corporation must utilize twenty-five percent (25%) of net operating income for the previous one-year period ("available net operating income") to repay the authority loan. If payment on this note is required by the Corporation pursuant to the terms hereof, the Corporation shall make such payment no later than one hundred twenty (120) days following the end of applicable calendar year.

218,780

6.25% trust deed payable to the Clearinghouse Community Development Financial Institution, secured by land and building. Payable in monthly installments of \$1,554 including principal and interest beginning January 1, 2017. Final payment is due December 31, 2046.

250,000

Total notes payable due on completed properties

\$ 15,506,628

NOTE 14 – NOTES PAYABLE DUE ON PROPERTIES UNDER CONSTRUCTION

On May 1, 2016, Paramount Family Irvine Housing Partners, L.P. entered into a construction loan agreement with Manufacturing Union Bank NA, under a funding loan agreement with the California Statewide Communities Development Authority (CSCDA). The agreement provides (a) variable interest rate equal to 65% of the one month London Interbank Offered Rate (LIBOR) plus 1.6% which shall change monthly on the first day of each month based on the change in the LIBOR rate. (b) Maturity date of September 1, 2018. (c) Monthly payment of interest only, in arrears.

\$ 4,608,219

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Notes to Financial Statements
Year Ended December 31, 2016

NOTE 14 – NOTES PAYABLE DUE ON PROPERTIES UNDER CONSTRUCTION (continued)

On May 27, 2016, Paramount Family Irvine Housing Partners, L.P. entered into a note with Heritage Fields El Toro, LLC. The agreement provides (a) interest rate of zero percent. (b) maturity date of May 27, 2073. (c) Monthly payments in an amount equal to 50% of annual residual receipts, as defined, beginning May 1 of the year following the certificate of occupancy issuance.

16,532,379

Total notes payable due on properties under construction

\$ 21,140,598

Maturities of notes payable on completed properties and properties under construction are as follows for the years ending December 31:

	Manufacturers' Union Bank <u>Construction Loan</u>	Heritage Fields El Toro, LLC <u>Seller Loan</u>	Total Paramount FIHP <u>Notes Payable</u>	Notes Payable on Completed <u>Properties</u>	<u>Totals</u>
2017	\$ -	\$ -	\$ -	\$ 1,036,671	\$ 1,036,671
2018	4,608,219	7,243	4,615,462	283,200	4,898,662
2019	-	8,480	8,480	297,800	306,280
2020	-	9,665	9,665	290,200	299,865
2021	-	10,793	10,793	170,100	180,893
Thereafter	<u>-</u>	<u>16,496,198</u>	<u>16,496,198</u>	<u>13,428,657</u>	<u>29,924,855</u>
	<u>\$ 4,608,219</u>	<u>\$ 16,532,379</u>	<u>\$ 21,140,598</u>	<u>\$ 15,506,628</u>	<u>\$ 36,647,226</u>

NOTE 15 – 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, 2016, was \$78,751.

NOTE 16 – 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 August 10, 2017, 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 on pages 30 through 36 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 on page 36, 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
August 10, 2017

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Consolidating Schedule of Financial Position

December 31, 2016

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	84 New ETHIC LLC	Paramount Family Irvine Housing Partners, L.P.	Eliminations	Totals Dec. 31, 2016
Current Assets:							
Cash and cash equivalents	\$ 1,249,125	\$ 136,537	-	\$ 443,828	\$ 15,638,711	-	\$ 17,468,201
Investments	312,235	-	-	-	-	-	312,235
Endowments	56,507	6,542	\$ 260,886	-	-	-	323,935
Accounts receivable, net	27,809	-	-	-	-	-	27,809
Miscellaneous receivables	2,480	-	-	320	-	\$ (800)	2,000
Construction in process	600	-	-	-	9,939,303	(875,000)	9,064,903
Prepaid rent, current portion	3,500	-	-	-	-	-	3,500
Prepaid event expense	3,000	-	-	-	-	-	3,000
Total Current Assets	1,655,256	143,079	260,886	444,148	25,578,014	(875,800)	27,205,583
Property and Equipment:							
Building and improvements	14,594,117	-	-	-	-	-	14,594,117
Land	13,514,359	-	-	4,398,784	-	-	17,913,143
Furniture and fixtures	81,245	-	-	-	-	-	81,245
Vehicle	14,144	-	-	-	-	-	14,144
Total Property and Equipment	28,203,865	-	-	4,398,784	-	-	32,602,649
Accumulated depreciation	(8,363,555)	-	-	-	-	-	(8,363,555)
Net Property and Equipment	19,840,310	-	-	4,398,784	-	-	24,239,094
Other Assets:							
Prepaid rent, net of current portion	78,751	-	-	-	-	-	78,751
Total Other Assets	78,751	-	-	-	-	-	78,751
Total Assets	\$ 21,574,317	\$ 143,079	\$ 260,886	\$ 4,842,932	\$ 25,578,014	\$ (875,800)	\$ 51,523,428

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Consolidating Schedule of Financial Position (continued)

December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	84 New ETHIC LLC	Paramount Family Irvine Housing Partners, L.P.	Eliminations	Totals Dec. 31, 2016
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Accounts payable	\$ 93,864	-	-	-	-	-	\$ 93,864
Accounts payable - other	800	-	-	-	-	-	800
Notes payable, current portion	1,036,671	-	-	-	-	\$ (800)	1,036,671
Accrued interest payable, current portion	799,492	-	-	-	-	-	799,492
Deferred rent payable, current portion	3,500	-	-	-	6,811	-	3,500
Due to Fiscal Agent	95,157	-	-	-	-	-	95,157
Due to affiliates	-	-	-	-	1,323	-	1,323
Total Current Liabilities	2,029,484	-	-	3,461	2,505,418	(800)	4,537,563
Long-Term Liabilities:							
Notes payable, net of current portion	14,469,957	-	-	-	-	-	14,469,957
Accrued interest payable, net of current portion	628,525	-	-	-	21,140,598	-	628,525
Deferred rent payable, net of current portion	78,751	-	-	-	-	-	78,751
Tenant deposits payable	196,642	-	-	-	-	-	196,642
Deferred development fee	91,667	-	-	183,333	-	(275,000)	91,667
Total Long-Term Liabilities	15,465,542	-	-	183,333	21,140,598	(275,000)	36,514,473
Total Liabilities	17,495,026	-	-	186,794	23,646,016	(275,800)	41,052,036
Net Assets:							
Unrestricted	4,079,241	-	-	-	-	-	4,079,241
Unrestricted interest in OCCHC Paramount LLC	50	-	-	-	-	(266,666)	50
Temporarily restricted	-	\$ 143,079	-	-	-	-	143,079
Permanently restricted	-	-	\$ 260,886	-	-	-	260,886
Noncontrolling unrestricted interest in LLC	-	-	-	4,656,138	-	(333,334)	4,322,804
Noncontrolling unrestricted interest in LP	-	-	-	-	1,931,998	-	1,931,998
Total Net Assets	4,079,291	143,079	260,886	4,656,138	1,931,998	(600,000)	10,471,392
Total Liabilities and Net Assets	\$ 21,574,317	\$ 143,079	\$ 260,886	\$ 4,842,932	\$ 25,578,014	\$ (875,800)	\$ 51,523,428

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Consolidating Schedule of Activities

Year Ended December 31, 2016

REVENUES	Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Totals 2016
Revenues and Other Support:					
Low-income housing rent and laundry revenue	\$ 2,791,186	-	-	-	\$ 2,791,186
Program services	31,544	-	-	-	31,544
Contributions and grants	354,323	\$ 10,000	-	-	364,323
In-kind contributions	2,888	-	-	-	2,888
Interest and dividends, net of fees	4,873	-	-	-	4,873
Net unrealized gains	36,293	-	-	-	36,293
Fund-raising, net of expenses of \$29,391	95,849	-	-	-	95,849
Office rent, net of expenses of \$67,807	3,274	-	-	-	3,274
84 New ETHIC LLC income, net 60%	204,872	-	-	\$ (266,666)	(61,794)
84 New ETHIC LLC income, net 40%	292,137	-	-	(333,333)	(41,196)
84 New ETHIC LLC In-kind contribution 60%	6,578,999	-	-	-	6,578,999
84 New ETHIC LLC In-kind contribution 40%	4,386,000	-	-	-	4,386,000
Less: 40% minority interest	(4,678,137)	-	-	333,333	(4,344,804)
Fiscal Agent fee	30,000	-	-	-	30,000
Managing member fees	10,259	-	-	-	10,259
Reimbursed expenses	42,563	-	-	-	42,563
Miscellaneous income	23,572	-	-	-	23,572
	<u>10,210,495</u>	<u>10,000</u>	<u>-</u>	<u>(266,666)</u>	<u>9,953,829</u>
Revenues and Other Support					
	(107,428)	6,542	100,886	-	-
CURRENT YEAR RESTRICTIONS AND (RELEASES)	(14,854)	14,854	-	-	-
Increase in Allen Baldwin Legacy Endowment	5,195	(5,195)	-	-	-
Increase in Stepping Up Endowment	(117,087)	16,201	100,886	-	-
Increase (decrease) in Student Scholarship Account					
Total Current Year Restrictions and (Releases)					
	<u>\$ 10,093,408</u>	<u>\$ 26,201</u>	<u>\$ 100,886</u>	<u>\$ (266,666)</u>	<u>\$ 9,953,829</u>
Total Revenues					

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Consolidating Schedule of Activities (continued)

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Totals 2016
TOTAL REVENUES from previous page	\$ 10,093,408	\$ 26,201	\$ 100,886	\$ (266,666)	\$ 9,953,829
EXPENSES					
Functional Expenses:					
Program services	2,820,554	-	-	-	2,820,554
Supporting services / management and general	198,115	-	-	-	198,115
Supporting services / fund-raising	120,859	-	-	-	120,859
Total Functional Expenses	<u>3,139,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,139,528</u>
CHANGE IN NET ASSETS					
Net increase (decrease) in net assets	6,953,880	26,201	100,886	(266,666)	6,814,301
Net assets (deficit), as of the beginning of the year	<u>(2,874,588)</u>	<u>116,878</u>	<u>160,000</u>	<u>-</u>	<u>(2,597,710)</u>
Net assets (deficit), as of the end of the year	<u>\$ 4,079,292</u>	<u>\$ 143,079</u>	<u>\$ 260,886</u>	<u>\$ (266,666)</u>	<u>\$ 4,216,591</u>

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Combining Statement of Financial Position -

Certain Unrestricted and Temporarily Restricted Funds

December 31, 2016

	UNRESTRICTED FUNDS		TEMPORARILY RESTRICTED FUNDS					Total Restricted Funds
	84 New ETHIC LLC	Replacement Reserve Fund	Student Scholarship Fund	Stepping Up Endowment	Allen Baldwin Legacy Endowment	Pacific Life Foundation Grant	-	
CURRENT ASSETS								
Cash	-	-	\$ 70,030	\$ 56,507	-	\$ 10,000	-	\$ 136,537
Investments	-	-	-	-	\$ 6,542	-	-	6,542
Total Assets	<u>-</u>	<u>-</u>	<u>70,030</u>	<u>56,507</u>	<u>6,542</u>	<u>10,000</u>	<u>-</u>	<u>143,079</u>
CURRENT LIABILITIES								
None	-	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,030</u>	<u>\$ 56,507</u>	<u>\$ 6,542</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 143,079</u>

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Combining Statement of Statement of Activities -
Certain Unrestricted and Temporarily Restricted Funds

Year Ended December 31, 2016

	UNRESTRICTED FUNDS		TEMPORARILY RESTRICTED FUNDS					Total Restricted Funds
	84 New ETHIC LLC	Replacement Reserve Fund	Student Scholarship Fund	Stepping Up Endowment	Allen Baldwin Legacy Endowment	Pacific Life Foundation Grant	-	
REVENUES AND OTHER SUPPORT								
60% of In-kind contribution	\$ 6,578,999	-	-	-	-	-	-	-
40% of In-kind contribution	4,386,000	-	-	-	-	-	-	-
60% of net income	204,872	-	-	-	-	-	-	-
40% of net income	292,137	-	-	-	-	-	-	-
Less: 40% minority interest	(4,678,137)	-	-	-	-	-	-	-
Revenue	-	-	-	\$ 14,854	-	-	-	\$ 14,854
Contributions	-	\$ 191,219	-	-	\$ 6,542	-	-	\$ 16,542
Total Revenues and Other Support	<u>6,783,871</u>	<u>191,219</u>	<u>-</u>	<u>14,854</u>	<u>6,542</u>	<u>10,000</u>	<u>10,000</u>	<u>31,396</u>
EXPENSES								
Disbursements to Corporation	33,000	-	-	-	-	-	-	-
Housing repair costs	-	185,721	-	-	-	-	-	-
Scholarships provided	-	-	\$ 5,195	-	-	-	-	5,195
Total Expenses	<u>33,000</u>	<u>185,721</u>	<u>5,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,195</u>
CHANGE IN NET ASSETS								
Increase (decrease) in net assets	6,750,871	5,498	(5,195)	14,854	6,542	10,000	-	26,201
Net Assets, as of the beginning of the year	-	1,163,503	75,225	41,653	-	-	-	116,878
Transfers to general fund	-	-	-	-	-	-	-	-
Net Assets, as of the end of the year	<u>\$ 6,750,871</u>	<u>\$ 1,169,001</u>	<u>\$ 70,030</u>	<u>\$ 56,507</u>	<u>\$ 6,542</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 143,079</u>

ORANGE COUNTY COMMUNITY HOUSING CORPORATION

Schedule of Market Values of Occupied Properties (Unaudited)

December 31, 2016

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
7792 Barton Drive, Huntington Beach 92647	4	322,100	1,288,400
Office Building – Golden Circle	1	1,350,000	<u>1,350,000</u>
Total Estimated Fair Market Value			\$ 36,438,400
Cost – Buildings		\$ 14,594,117	
Cost – Land		6,916,185	
Accumulated Depreciation		<u>(8,277,959)</u>	
Net Book Value			<u>13,232,343</u>
Estimated market value in excess of book value (net)			<u>\$ 23,206,057</u>