

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017  
with Summarized Totals for the Year Ended December 31, 2016  
with  
Report of Independent Auditors

ORANGE COUNTY COMMUNITY HOUSING CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

TABLE OF CONTENTS

	Page
Report of Independent Auditors .....	2
Consolidated Statements of Financial Position .....	4
Consolidated Statements of Financial Position (continued) .....	5
Consolidated Statements of Activities .....	6
Consolidated Statements of Functional Expenses .....	7
Consolidated Statements of Cash Flows .....	8
Notes to Consolidated Financial Statements .....	9
Supplementary Information .....	31
Consolidating Schedule of Financial Position .....	32-35
Consolidating Schedule of Activities .....	36-39
Schedule of Market Values of Occupied Properties (Unaudited) .....	40

\* \* \* \*



## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Orange County Community Housing Corporation (a California non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2017 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated 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.

### *Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

NOVOGRADAC & COMPANY LLP

P 415.223.6130  
F 415.356.8001  
W [www.novoco.com](http://www.novoco.com)

OFFICE 1010 B Street, Suite 400  
San Rafael, Calif. 94901

*Opinion*

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

*Report on Summarized Comparative Information*

The consolidated financial statements of Orange County Community Housing Corporation as of December 31, 2016, were audited by other auditors whose report dated August 10, 2017, expressed a modified opinion on those statements due to not being able to confirm the terms and balances of loans owed to the City of Huntington Beach as of December 31, 2016, in the amount of \$5,818,612. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary regarding the loans referred to in the previous sentence, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the restated audited financial statements from which it has been derived.

*Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary information on pages 32 through 40 is presented for purposes of additional analysis rather than to present the financial position, changes in net assets, and cash flows of the individual companies and is not a required part of the basic consolidated 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 consolidated financial statements. The 2017 information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 information is fairly stated in all material respects, in relation to the consolidated financial statements as a whole. The 2016 information was subjected to the auditing procedures applied in the audit of the consolidated financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The Schedule of Market Values of Occupied Properties (Unaudited) has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

*Novogradac & Company LLP*

San Rafael, California  
October 2, 2018

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**

Consolidated Statement of Financial Position

December 31, 2017 with summarized totals for December 31, 2016

	2017	2016 (restated)
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,422,203	\$ 1,393,521
Restricted cash	243,542	435,969
Accounts receivable, net	681,168	27,809
Miscellaneous receivables	68,655	3,400
Prepaid rent, current portion	3,500	3,500
Prepaid expenses	3,033	3,000
Total Current Assets	2,422,101	1,867,199
Property and Equipment:		
Building and improvements	15,018,861	14,594,116
Land and improvements	17,913,143	17,913,143
Furniture and fixtures	81,245	81,245
Vehicle	14,144	14,144
Total Property and Equipment	33,027,393	32,602,648
Accumulated depreciation	(8,675,964)	(8,363,556)
Net Property and Equipment	24,351,429	24,239,092
Other Assets:		
Prepaid rent, net of current portion	75,251	78,751
Investment in Paramount FIHP, L.P.	12	-
Investment in CDFI	50,500	-
Investments	341,206	312,236
Endowments	371,297	323,935
Total Other Assets	838,266	714,922
Total Assets	\$ 27,611,796	\$ 26,821,213

See accompanying notes.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**

Consolidated Statement of Financial Position (continued)

December 31, 2017 with summarized totals for December 31, 2016

	<u>2017</u>	<u>2016 (restated)</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 115,800	\$ 95,519
Accounts payable - other	40,490	2,605
Notes payable, current portion	1,050,802	1,029,248
Accrued interest payable, current portion	814,510	799,492
Deferred rent payable, current portion	3,500	3,500
Due to Fiscal Agent	-	95,157
Deferred development fee	-	275,000
	<u>2,025,102</u>	<u>2,300,521</u>
Total Current Liabilities		
Long-Term Liabilities:		
Notes payable, net of current portion	14,202,109	14,477,380
Accrued interest payable, net of current portion	537,687	628,525
Deferred rent payable, net of current portion	75,251	78,751
Tenant deposits payable	205,336	196,642
	<u>15,020,383</u>	<u>15,381,298</u>
Total Long-Term Liabilities		
	17,045,485	17,681,819
Total Liabilities		
Net Assets:		
Unrestricted		
Controlling interests	4,854,793	4,079,291
Non-controlling interests	5,230,379	4,656,138
Temporarily restricted	219,475	143,079
Permanently restricted	261,664	260,886
	<u>10,566,311</u>	<u>9,139,394</u>
Total Net Assets		
	\$ 27,611,796	\$ 26,821,213
Total Liabilities and Net Assets		

See accompanying notes.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
 Consolidated Statement of Activities  
 Year Ended December 31, 2017 with summarized totals for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2017	Totals 2016 (restated)
<b>REVENUES</b>					
Revenues and Other Support:					
Low-income housing rent and laundry revenue	\$ 2,947,570	\$ -	\$ -	\$ 2,947,570	\$ 2,791,186
Program services	-	-	-	-	31,544
Land contribution	-	-	-	-	10,964,999
Contributions and grants	260,602	91,730	778	353,110	364,323
In-kind contributions	-	-	-	-	2,888
Interest and dividends, net of fees	5,246	-	-	5,246	4,873
Net unrealized gains	78,364	-	-	78,364	36,293
Fund-raising, net of direct expenses of \$40,132	107,167	-	-	107,167	95,849
Office rent, net	18,467	-	-	18,467	3,274
Fiscal Agent fee	-	-	-	-	30,000
Managing member fees	4,800	-	-	4,800	10,259
Reimbursed expenses	30,643	-	-	30,643	42,563
Miscellaneous income	30,872	-	-	30,872	23,572
Developer fee revenue	900,000	-	-	900,000	350,000
Closing fee revenue	-	-	-	-	250,000
Partnership management fee revenue	25,000	-	-	25,000	-
Revenues and Other Support	<u>4,408,731</u>	<u>91,730</u>	<u>778</u>	<u>4,501,239</u>	<u>15,001,623</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>					
Grants	10,000	(10,000)	-	-	-
Student Scholarship Account	5,334	(5,334)	-	-	-
Total Current Year Releases	<u>15,334</u>	<u>(15,334)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>4,424,065</u>	<u>76,396</u>	<u>778</u>	<u>4,501,239</u>	<u>15,001,623</u>
<b>EXPENSES</b>					
Functional Expenses					
Program services	2,692,324	-	-	2,692,324	2,820,554
Supporting services / management and general	243,304	-	-	243,304	301,105
Supporting services / fund-raising	138,694	-	-	138,694	120,859
Total Functional Expenses	<u>3,074,322</u>	<u>-</u>	<u>-</u>	<u>3,074,322</u>	<u>3,242,518</u>
<b>CHANGE IN NET ASSETS</b>					
Net increase (decrease) in net assets	1,349,743	76,396	778	1,426,917	11,759,105
Net assets (deficit), as of the beginning of the year	8,735,429	143,079	260,886	9,139,394	(2,597,710)
Distributions to non-controlling interest	-	-	-	-	(22,001)
Net assets, as of the end of the year	<u>\$ 10,085,172</u>	<u>\$ 219,475</u>	<u>\$ 261,664</u>	<u>\$ 10,566,311</u>	<u>\$ 9,139,394</u>

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
 Consolidated Statement of Functional Expenses  
 Year Ended December 31, 2017 with summarized totals for the Year Ended December 31, 2016

EXPENSES BY FUNCTION	PROGRAM SERVICES	SUPPORTING SERVICES		PROGRAM SERVICES	Totals 2017	Totals 2016 (restated)
	Housing, Stepping Up, Scholarships, and Family Mentoring	Management and General	Fund-raising	84 New ETHIC LLC		
Salaries and wages	\$ 481,896	\$ 45,186	\$ 107,263	\$ -	\$ 634,345	\$ 587,741
Employee benefits	147,205	7,237	8,605	-	163,047	135,379
Employee leasing	86,176	3,230	5,652	-	95,058	94,138
Association dues	89,761	-	-	-	89,761	100,619
Auto reimbursement	7,372	94	165	-	7,631	8,889
Bad debts	5,757	-	-	-	5,757	28,912
College awareness and testing	79,159	-	-	-	79,159	67,979
Conferences	-	3,700	-	-	3,700	175
Contributions	1,500	-	-	-	1,500	5,980
Depreciation	311,435	354	619	-	312,408	320,410
Dues and Subscriptions	1,937	193	337	-	2,467	10,886
Family mentoring	644	-	-	-	644	350
Information technology	16,759	1,194	2,090	-	20,043	17,695
Insurance	108,695	6,826	164	-	115,685	112,164
Interest	221,321	-	-	-	221,321	399,640
Investment fees	-	7,342	-	-	7,342	6,402
Janitorial	9,599	-	-	-	9,599	8,546
Maintenance	289,590	-	-	-	289,590	286,200
Marketing	1,739	9,017	-	-	10,756	11,111
Miscellaneous	7,696	18,488	-	-	26,184	76,141
Office supplies and expense	48,690	3,649	6,071	31	58,441	70,870
Professional services	16,841	135,994	-	49,119	201,954	115,845
Property taxes	90,749	-	-	-	90,749	111,549
Relocation	2,956	-	-	-	2,956	1,500
Rent expenses-other	3,500	-	-	-	3,500	3,500
Repairs	291,875	-	-	-	291,875	327,895
Residuals	20,053	-	-	-	20,053	34,908
Scholarships	2,003	-	-	-	2,003	5,994
Special events	-	-	7,727	-	7,727	4,375
State Franchise Tax	-	800	-	846	1,646	800
Tenant credit reports	3,505	-	-	-	3,505	-
Utilities	293,916	-	-	-	293,916	285,925
<b>Total Expenses by Function</b>	<b>\$ 2,642,328</b>	<b>\$ 243,304</b>	<b>\$ 138,694</b>	<b>\$ 49,996</b>	<b>\$ 3,074,322</b>	<b>\$ 3,242,518</b>

See accompanying notes.



**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**

Consolidated Statement of Cash Flows

Year Ended December 31, 2017 with summarized totals for the Year Ended December 31, 2016

	2017	2016 (restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 1,426,917	\$ 11,759,105
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	312,408	329,662
In-kind contribution	-	(10,994,999)
Net unrealized gains	(78,364)	(36,293)
Flow through income from Paramount FIHP, L.P.	(12)	-
(Increase) decrease in assets:		
Accounts receivable	(653,359)	5,861
Miscellaneous receivables	(65,255)	172,518
Prepaid rent	3,500	3,500
Prepaid expenses	(33)	(3,000)
Increase (decrease) in liabilities:		
Accounts payable	20,281	50,700
Accounts payable - other	37,885	-
Accrued interest payable	(75,820)	90,337
Deferred rent payable	(3,500)	-
(Decrease) increase in amount due to Fiscal Agent	(95,157)	95,157
Increase in amount due to non-controlling interests	-	1,323
Increase (decrease) in tenant deposits payable	8,694	(2,885)
Deferred developer fee	(275,000)	275,000
Net cash provided by operating activities	<u>563,185</u>	<u>1,745,986</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net deposits from (to) restricted cash	192,427	(435,969)
Purchase of property and equipment	(424,745)	(1,156,728)
Purchase of investment in CDFI	(50,500)	-
Purchases of investments	-	(94,414)
Interest and dividends reinvested, net of investment fees	2,032	(4,873)
Net cash used in investing activities	<u>(280,786)</u>	<u>(1,691,984)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowing on notes payable - construction	-	335,226
Net borrowing on note payable	-	922,350
Payments of notes payable	(253,717)	(253,979)
Distributions	-	(22,001)
Net cash (used in) provided by financing activities	<u>(253,717)</u>	<u>981,596</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		
Net increase in cash and cash equivalents	28,682	1,035,598
Cash and cash equivalents, as of the beginning of the year	1,393,521	357,923
Cash and cash equivalents, as of the end of the year	<u>\$ 1,422,203</u>	<u>\$ 1,393,521</u>
<b>SUPPLEMENTARY INFORMATION:</b>		
Cash paid for interest	<u>\$ 308,637</u>	<u>\$ 302,492</u>

See accompanying notes.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

1. Organization

**Mission** - Orange County Community Housing Corporation (the "Organization") is a California nonprofit public benefit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code of 1986. The Organization was organized in 1977 to provide housing and related services to low and very low income persons. The Organization 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 Organization also manages eight units for the City of Garden Grove.

**Management** - During 2017, the Organization celebrated 40 years of service to extremely low-income families and also its fifth 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 Organization 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 with Paramount Family Irvine Housing Partners, L.P. (the "Partnership"), 84-unit affordable units in the Great Park of the City of Irvine were completed. Construction began in June 2016, and was completed in September 2017. The Organization 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 (Ethic)** - 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 Partnership, (c) acquire a long-term loan with the Partnership and (d) obtain an option to purchase the development.

2. Summary of significant accounting policies

Basis of accounting

The Corporation prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of presentation

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

**Unrestricted Net Assets:** Net assets that are not subject to donor-imposed stipulations that may or will be expendable by the board for any purpose in performing the Organization's primary objectives.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

**Temporarily Restricted Net Assets:** Net assets that are subject to donor-imposed stipulations that may or will be met either by the Organization's actions and/or the passage of time.

**Permanently Restricted Net Assets:** Net assets that are subject to donor-imposed stipulations whereby the resources are to be preserved in perpetuity.

Principles of consolidation

The Organization's consolidated financial statements include the accounts of the Organization and its majority-owned, controlled subsidiaries.

The Organization, controls the following consolidated entities (the "Consolidated Entities") in which the Organization is the controlling member:

- 84 New ETHIC LLC (60% owner)
- OCCH Paramount LLC (100% owner)

All material intercompany balances and transactions have been eliminated.

Investment in partnership – equity method

The Organization uses the equity method of accounting for its investment in Partnership in which OCCH Paramount, LLC , who has a 0.005% ownership interest in the Partnership, serves as the managing general partner, as the Organization has significant influence over, but not control of the major operating and financial policies of the Partnership. Under this method, the Organization's share of income, losses, and distributions incurred by the Partnership is recognized as an increase or reduction of the carrying value of the investment. Impairment losses other than temporary impairment are recorded even if it reduces the investment more than what would have been recognized in the normal application of the equity method.

Prior period adjustment

Although the Organization originally began consolidating the Partnership in 2016, management subsequently concluded that due to the jointly shared control with an unrelated co-general partner, the Organization lacks sufficient control of the Partnership to justify consolidating it with the Organization's consolidated financial statements and has changed the investment method of the Partnership from consolidation to equity. The effect of this adjustment was to decrease contributions from noncontrolling interest by \$1,931,998 and increase developer and closing fee revenue from the Partnership by \$350,000 and \$250,000, respectively, for the year ended December 31, 2016.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition.

Concentration of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Fair value measurements

The Organization applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

*Level 1:* Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2:* Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3:* Unobservable inputs that reflect the Organization's own assumptions.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)

The following tables present the Organization's assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2017:

	December 31, 2017			Fair Value Measurements
	Level 1	Level 2	Level 3	
Investments in Certificates of Deposit at Fair Value	\$ 109,521	\$ -	\$ -	\$ 109,521
Beneficial interest in assets held by others at Fair Value	-	-	602,982	602,982
Total assets	\$ 109,521	\$ -	\$ 602,982	\$ 712,503

The cost of investments and endowments, and unrealized gains, at December 31, 2017, are as follows:

	2017	
	Cost	Market Value
Investments in Certificates of Deposit	\$ 109,521	\$ 109,521
Beneficial interest in assets held by others	380,410	602,982
Total	\$ 489,931	\$ 712,503

Investments and endowments

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of individual lots. Interest income is recorded when earned and dividends are recorded on the ex-dividend date.

Investments are made according to the finance policy adopted by the Organization's Board of Directors. The guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate indices. Outside advisors are utilized by the Organization for the purpose of providing investment and consulting advice.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investment in CDFI ("CDFI"), which is a direct lender for affordable housing, community development and other non-traditional credit needs, is recorded using the cost method and the Organization does not have significant influence or control.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

2. Summary of significant accounting policies (continued)

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 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.

Fixed assets and depreciation

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 for 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 Organization reports expirations of donor restrictions when the donor assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Depreciation expense during 2017 was \$312,408. The useful lives of the assets are estimated as follows:

Buildings and improvements	5 - 40 years
Furniture and fixtures	5 - 12 years
Vehicles	5 years

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.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue recognition

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Residential leases are for periods of up to one year, with rental payments due monthly. Program services, special events, developer fees and management fees are recorded when earned.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

2. Summary of significant accounting policies (continued)

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 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 Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d).

Income taxes on LLC income are levied on the members in their individual capacity. Accordingly, all profits and losses of the Consolidated Entities are recognized by each partner and member on its respective tax return.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years and four years of tax returns filed for federal and state, respectively. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

2. Summary of significant accounting policies (continued)

Recently issued accounting pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The major changes revolve around net asset classifications. ASU 2016-14 eliminates the distinction between resources with permanent restrictions and those with temporary restrictions by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes: net assets with donor restrictions and net assets without donor restrictions.

In addition to the fundamental change in net asset classifications, the new standard also includes a number of specific amendments, such as the following:

- Reporting requirements of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and disclosures about underwater endowments;
- Disclosure requirements of qualitative information on how the organization manages its liquid available resources and liquidity risks;
- Reporting requirements of the investment return, net of external and direct internal investment expenses (disclosure of those netted expenses is no longer required).

ASU 2016-14 applies to all non-profit organizations and is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted.

The Organization is currently evaluating the impact the adoption of this standard will have on the consolidated financial statements.

Subsequent events

Subsequent events have been evaluated through October 2, 2018, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Investment in CDFI

The Organization holds an investment in CDFI. The investment is recorded at cost and represents less than 1% of the ownership shares of CDFI as of December 31, 2017. The balance of the investment was \$50,500 at December 31, 2017.

4. Restricted cash

The Organization has funds on deposit with Bank of America. As of December 31, 2017, the balances of these accounts were as follows:

Replacement reserve	\$ 114,094
Operating reserve	100,562
Tenant security deposits	<u>28,886</u>
Total restricted cash	<u>\$ 243,542</u>



**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

5. Cash and investments

Cash and investments, including restricted cash and endowments, consisted of the following at December 31, 2017:

	Cash and Cash Equivalents	Restricted Cash	Investments/ Endowments	Total
Demand deposits				
Corporation	\$ 267,536	\$ 243,542	\$ -	\$ 511,078
84 New ETHIC LLC	647,972	-	-	647,972
Certificates of deposit -				
Corporation	-	-	109,521	109,521
Money market mutual funds -				
Corporation	506,695	-	-	506,695
Beneficial interest in assets				
held by others	-	-	602,982	602,982
Investment in CDFI	-	-	50,500	50,500
Totals	<u>\$ 1,422,203</u>	<u>\$ 243,542</u>	<u>\$ 763,003</u>	<u>\$ 2,428,748</u>

Financial institutions that potentially subject the Organization to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Organization 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 Organization did not however exceed the limit of this coverage as of December 31, 2017. The Organization does not anticipate nonperformance by the institutions. No FDIC protection exists for brokerage account balances, as indicated in “Money market mutual funds” or “Beneficial interest in assets held by others” as indicated above, as of December 31, 2017.

Quasi-Endowment

The Organization 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 any time from this donor advised fund. The fund is reported at market value. The balance of the fund was \$231,685 at December 31, 2017, which is included in investments on the accompanying statement of financial position.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

5. Cash and investments (continued)

Endowments

Effective January 1, 2009, the Organization 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 Organization 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 Organization 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 Organization 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 Organization 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 Organization relies on a total strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization 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 Organization's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

The Organization has two endowment funds with the Foundation. All or a portion of the net income may be distributed at any time from each endowment fund for the purposes of support of the Stepping UP Program and the Allen Baldwin Legacy Program, respectively. The funds are reported at market value. The balance of the funds was \$371,297 at December 31, 2017.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

5. Cash and investments (continued)

Endowments (continued)

The Stepping Up Program endowment has temporary and permanent restrictions at December 31, 2017, as follows:

	Temporarily Restricted	Permanently Restricted	Total
Stepping Up Program Endowment, Investment fees, net of interest and dividend revenue	\$ 56,507	\$ 160,000	\$ 216,507
Net unrealized gain	(1,029)	-	(1,029)
Totals	\$ 87,644	\$ 160,000	\$ 247,644

The Allen Baldwin Legacy endowment has temporary and permanent restrictions at December 31, 2017, as follows:

	Temporarily Restricted	Permanently Restricted	Total
Allen Baldwin Legacy Endowment, Contributions	\$ 6,542	\$ 100,886	\$ 107,428
Investment fees, net of interest and dividend revenue	-	778	778
Net unrealized gain	(514)	-	(514)
Totals	\$ 21,989	\$ 101,664	\$ 123,653

6. Contingent liabilities

The Organization has five properties in the City of Huntington Beach that have trust deeds with interest payable in the event the Organization does not comply with the housing agreements with the City of Huntington Beach. As of December 31, 2017, the Organization is contingently liable for interest on the five properties. The amount is being negotiated with the City of Huntington Beach. Since the mission of the Organization is to provide housing for extremely low-income families it does not foresee any event that would require the payment of the interest.

7. 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 CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

8. Notes payable

Notes payable consisting primarily of 30-year obligations are as follows:

<p>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. Notes mature on October 1, 2020.</p>	<p>\$ 350,795</p>
<p>5.90% trust deed payable to Citibank, secured by land and building. Payable in monthly installments of \$10,445, including principal and interest. The loan matures on November 1, 2028.</p>	<p>1,007,043</p>
<p>7.60% trust deed payable to Citibank, secured by land and building. Payable in monthly installments of \$1,271 beginning December 1, 1998. The loan matures on December 1, 2028.</p>	<p>113,466</p>
<p>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 Organization continues to own the residence(s) and the Organization is not in violation of any provisions of this note or in breach of the regulatory agreement. In the event the Organization 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 Organization shall immediately pay to the City of Irvine, the principal, together with accrued interest at the rate of 10% compounded annually on the principal.</p>	<p>634,500</p>
<p>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.</p>	<p>30,000</p>
<p>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 condition of the loan agreement. Under the occurrence of default, all principal and interest on the deferred loan may become due in full. The loan matured on May 29, 2002; however, no payment has been requested by the City of Anaheim.</p>	<p>20,000</p>
<p>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. The loan matures on December 1, 2028.</p>	<p>173,346</p>

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

8. Notes payable (continued)

<p>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 Organization 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 Organization 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. The loan matures on August 1, 2070.</p>	<p>\$ 305,000</p>
<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 Organization'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 Organization. The note matured on July 1, 2014; however, no payment has been requested by the City of Anaheim.</p>	<p>724,324</p>
<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. The principal is to be forgiven at the end of the compliance period, which occurred on June 30, 2010. Management is trying to coordinate the forgiveness with the bank.</p>	<p>11,400</p>
<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 Organization does not have any events of default listed in the agreement. In the event the Organization has an event of default, the Organization 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. The loan matures on June 17, 2053.</p>	<p>225,000</p>

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

8. Notes payable (continued)

<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 Organization being in material default of any other obligation contained in this agreement, or the Organization violating any condition of the deed of trust or promissory note, or ceasing to exist as a nonprofit organization.</p>	<p>\$ 635,000</p>
<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. The loan matures on November 1, 2028.</p>	<p>87,823</p>
<p>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 30 years, commencing in 1995. If this condition is not met, the outstanding principal and interest, if any is due and payable.</p>	<p>290,000</p>
<p>Non-interest bearing trust deed payable to the City of Placentia, secured by land and building. Payments are to be made annually, beginning in the sixteenth year, commencing October 1995, providing the Organization does not have any events of default as listed in the agreement. In the event the Organization has an event of default, the Organization shall immediately pay the City of Placentia the principal together with accrued interest at the rate of 10% compounded annually on the principal outstanding. The note matures on October 2, 2025. An amendment to the note payable is pending.</p>	<p>45,000</p>
<p>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. The loan matures on November 1, 2028.</p>	<p>112,914</p>

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

8. Notes payable (continued)

6% trust deed payable to the City of Huntington Beach, secured by land and building. Commencing on the fifth anniversary of the close of escrow and continuing until the thirtieth anniversary of the close of escrow, the Organization makes minimum annual payments of \$1,200. If the balance of residual receipts account is insufficient to fully fund an annual payment, the Organization agrees to make up any shortfall that may exist in the account so that the annual payment can be made. The Organization 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 is 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.

The loan matures on December 26, 2026. \$ 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. The loan matures on March 1, 2029. 132,373

Non-interest bearing note payable to Citibank, pursuant to an agreement under the Affordable Housing Program (AHP), of Home Loan Bank of San Francisco. The principal was to be forgiven at the end of the compliance period, which occurred on December 31, 2005. Management is trying to coordinate the forgiveness with the bank. 32,000

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

8. Notes payable (continued)

6% trust deed payable to the City of Huntington Beach, secured by land and building. Commencing on the fifth anniversary of the close of escrow and continuing until the thirtieth anniversary of the close of escrow, the Organization shall make minimum annual payments of \$1,200. Each annual payment shall be due annually on each anniversary of the Close of Escrow beginning on the fifth anniversary of the Close of Escrow and continuing and including the thirtieth anniversary of the Close of Escrow; provided however, that remaining outstanding principal of the loan shall be repaid on the thirtieth anniversary of the Close of the Escrow. 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. 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 Organization 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 Organization may request that the City reduce, suspend, or forgive an annual payment and the Organization may present evidence to the City of its inability to make an annual payment; however the City reserves the exclusive right to 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.

The loan matures on January 2, 2026. \$ 1,248,455

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. 683,937

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 23, 2026. 1,000,000

3% trust deed payable to City of Buena Park, secured by land and building. Annual payments of interest are deferred if the Organization is in compliance with the owner participation agreement, principal due September 23, 2026. During 2017, the Organization adjusted the accrued interest payable to the City of Buena Park, due to a retroactive change by the City of Buena Park to accrue interest at a simple rate rather than compounding. For the year ended December 31, 2017, the Project recognized \$124,481 in income as a result of the accrued interest change. 800,000



**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

8. Notes payable (continued)

7.7% trust deed payable to Citibank, secured by land and building, payable in monthly installments of \$1,462 beginning April 1, 1999. The loan matures on March 1, 2029. \$ 131,724

6% trust deed payable to the City of Huntington Beach, secured by land and building. Annual payments of interest are deferred if the Organization is in compliance with the owner participation agreement. 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 Organization 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 Organization agrees to make up any shortfall that may exist in the account so that the annual payment can be made. The Organization may request that the City reduce, suspend, or forgive an annual payment, and the Organization 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.

The loan matures on November 17, 2027. 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. The loan matures on April 1, 2023. 244,950

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

8. Notes payable (continued)

Note payable to the City of Huntington Beach, secured by land and building, non-interest bearing, one-thirtieth of principal forgiven each anniversary date of note. There are 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 Organization shall make annual payments of \$1,200 or fifty percent of net operating income. Once the capital reserve is fully funded, the annual payment will 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. Due to on-going negotiations with the City on compliance issues, the Organization has not reduced the loan balance based on the forgiveness provision of the note. The loan matures on February 22, 2030. \$ 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. The loan matures on April 1, 2023. 244,968

Note payable to the City of Huntington Beach, 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 Organization shall make annual payments of \$1,200 or fifty percent of net operating income whichever amount is less for payment of this note. The Organization may request that the City reduce, suspend, renegotiate, or forgive an annual payment, and the Organization 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 within the applicable cure period; or
- (2) End of the sixty year term of the Owner participation Agreement if the Organization chooses not to continue to abide by the Regulatory Agreement.

The loan matures on September 29, 2060. 570,000

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

8. Notes payable (continued)

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 at the note maturity, which ranges from September 2027 to May 2029.

\$ 835,549

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. The loan matures on April 1, 2023.

124,345

6% trust deed payable to the City of Huntington Beach, secured by land and building. There may be periodic payments under the note. Commencing on the third anniversary of the note, the Organization 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 Organization agrees to make up any shortfall that may exist in the account so that the annual payment can be made. The Organization 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 Organization chooses not to continue to abide by the Regulatory Agreement.

The loan matures on December 18, 2060.

285,000

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

185,136

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

8. Notes payable (continued)

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 Organization is in compliance with the terms of the HOME loan documents on the fifteenth (15<sup>th</sup>) 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 Organization's compliance and no further funds shall be due from the Organization under this HOME promissory note. Prior to the maturity date, the Organization will be obligated to repay the HOME loan as follows: (a) The Organization must utilize twenty percent (20%) of residual receipts with respect to each calendar year to repay the HOME loan. (b) In the event the Organization 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 expenses, charges, cost and fees incurred by or payable to the City by the Organization 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. The loan matures on November 18, 2031.

781,220

Non-interest bearing trust deed payable to the City of Huntington Beach, secured by land and building. The Organization 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 Organization must utilize twenty-five percent (25%) of net operating income for the previous one-year period ("available net operating income") to repay the loan. If payment on this note is required by the Organization pursuant to the terms hereof, the Organization shall make such payment no later than one hundred twenty (120) days following the end of applicable calendar year. The loan matures on November 18, 2071.

218,780

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

8. Notes payable (continued)

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. The loan matures on November 14, 2046.

\$ 247,567

Total notes payable

\$ 15,252,911

Maturities of notes payable are as follows for the years ending December 31:

2018	\$ 1,050,002
2019	298,800
2020	924,900
2021	227,600
2022	182,300
Thereafter	<u>12,569,309</u>
	<u>\$ 15,252,911</u>

9. Unrestricted net assets

The changes in the Organization's consolidated unrestricted net assets are reconciled as follows:

	Total	Controlling Interests	84 New ETHIC Non-controlling Interests
Balance, December 31, 2016	\$ 8,735,429	\$ 4,079,291	\$ 4,656,138
Change in unrestricted net assets	<u>1,349,743</u>	<u>775,502</u>	<u>574,241</u>
Balance, December 31, 2017	<u>\$ 10,085,172</u>	<u>\$ 4,854,793</u>	<u>\$ 5,230,379</u>

10. Temporarily restricted net assets

Temporarily restricted net assets are comprised of the following as of December 31, 2017:

Allen Baldwin Legacy Endowment	\$ 21,989
Stepping Up Endowment	87,644
Student Scholarship Account	64,842
Grants	<u>45,000</u>
Total	<u>\$ 219,475</u>

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

10. Temporarily restricted net assets (continued)

Net assets were released from restrictions during 2017 by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

Student Scholarship Account	\$ 5,334
Grants	<u>10,000</u>
Total	<u>\$ 15,334</u>

11. Permanently restricted net assets

For the year ended December 31, 2017, the changes in permanently restricted net assets are as follows:

Permanently restricted net assets, beginning of year	\$ 260,886
Contributions	<u>778</u>
Permanently restricted net assets, end of year	<u>\$ 261,664</u>

12. Commitments

The Organization is leasing an eight-unit apartment building from the Garden Grove Agency for Community Development (the "Agency"). Upon commencement of the lease on June 25, 1990, the Organization paid the Agency \$175,000 as rent for the fifty-year term of the lease. The Organization is sub-leasing five of the eight units to American Family Housing ("AFM"), (formerly referred to as "Shelter for the Homeless"), a public benefit non-profit corporation. AFM is sub-leasing two units to Thomas House Shelter. The sub-lease is also for fifty years. American Family Housing paid the Organization \$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, 2017, was \$78,751.

<u>Years Ending December 31,</u>	<u>Rental Payments</u>
2018	\$ 3,500
2019	3,500
2020	3,500
2021	3,500
2022	3,500
Thereafter	<u>61,251</u>
Total rental payable	<u>\$ 78,751</u>

The Organization has also entered into various regulatory agreements, including the City of Anaheim, City of Buena Park, City of Garden Grove, City of Huntington Beach and County of Orange.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

13. Related party transactions

Partners' equity

Under the Amended and Restated Agreement of Limited Partnership dated May 27, 2016 (the "Partnership Agreement"), OCCHC Paramount LLC is the Managing General Partner of the Partnership, with a 0.005% general partner interest. In accordance with the Partnership Agreement, the Managing General Partner is required to make a capital contribution of \$50. As of December 31, 2017, the Managing General Partner has made its required capital contribution. As of December 31, 2017, OCCHC Paramount, LLC's investment in Paramount Family Irvine Housing Partners, L.P. was \$12.

Development fee revenue

84 New Ethic, LLC earns developer fees for services rendered in negotiating, coordinating and supervising the planning, architectural, engineering and construction services necessary for the development of the Partnership's project. Fees are generally paid from permanent funding sources upon the completion of the development and upon certain milestones being met, as defined in the respective development services agreements. During 2017, development fee income was \$900,000.

Pursuant to the Partnership Agreement, to the extent that all or any part of the development fee, together with any interest thereon, if any, is not paid by the date of construction completion, such development 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 development fees, together with applicable interest, shall be paid 50% by the Administrative General Partner, and 50% by the Managing General Partner, 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. As of December 31, 2017, no amount was due under this guaranty.

Partnership management fee

Pursuant to the Partnership Agreement, OCCHC Paramount LLC receives an annual partnership management fee from the Partnership in an amount up to \$25,000, increased annually by the Consumer Price Index. The fee is paid from available cash flow, as defined, and does not accrue. During 2017, partnership management fee income was \$25,000. As of December 31, 2017, partnership management fee receivable was \$25,000 and included in Miscellaneous Receivables on the Statement of Financial Position.

14. 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 Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

**SUPPLEMENTARY INFORMATION**



**SUPPLEMENTARY INFORMATION**

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
 Consolidating Schedule of Financial Position  
 December 31, 2017

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	84 New ETHIC LLC Unrestricted	Eliminations	Totals Dec. 31, 2017
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 774,231	\$ -	\$ -	\$ 647,972	\$ -	\$ 1,422,203
Restricted Cash	76,056	167,486	-	-	-	243,542
Accounts receivable, net	26,168	30,000	-	625,000	-	681,168
Miscellaneous receivables	83,055	-	-	800	(15,200)	68,655
Prepaid rent, current portion	3,500	-	-	-	-	3,500
Prepaid expenses	3,033	-	-	-	-	3,033
<b>Total Current Assets</b>	<b>966,043</b>	<b>197,486</b>	<b>-</b>	<b>1,273,772</b>	<b>(15,200)</b>	<b>2,422,101</b>
<b>Property and Equipment:</b>						
Building and improvements	15,018,861	-	-	-	-	15,018,861
Land and improvements	6,916,184	-	-	10,996,959	-	17,913,143
Furniture and fixtures	81,245	-	-	-	-	81,245
Vehicle	14,144	-	-	-	-	14,144
<b>Total Property and Equipment</b>	<b>22,030,434</b>	<b>-</b>	<b>-</b>	<b>10,996,959</b>	<b>-</b>	<b>33,027,393</b>
Accumulated depreciation	(8,675,964)	-	-	-	-	(8,675,964)
<b>Net Property and Equipment</b>	<b>13,354,470</b>	<b>-</b>	<b>-</b>	<b>10,996,959</b>	<b>-</b>	<b>24,351,429</b>
<b>Other Assets:</b>						
Prepaid rent, net of current portion	75,251	-	-	-	-	75,251
Investment in 84 New Ethic	7,012,234	-	-	-	(7,012,234)	-
Investment in Paramount FIHP, L.P.	12	-	-	-	-	12
Investment in CDFI	50,500	-	-	-	-	50,500
Investments	341,206	-	-	-	-	341,206
Endowments	87,644	21,989	261,664	-	-	371,297
<b>Total Other Assets</b>	<b>7,566,847</b>	<b>21,989</b>	<b>261,664</b>	<b>-</b>	<b>(7,012,234)</b>	<b>838,266</b>
<b>Total Assets</b>	<b>\$ 21,887,360</b>	<b>\$ 219,475</b>	<b>\$ 261,664</b>	<b>\$ 12,270,731</b>	<b>\$ (7,027,434)</b>	<b>\$ 27,611,796</b>

See accompanying report of independent auditors.  
 Page 32

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**

Consolidating Schedule of Financial Position (continued)

December 31, 2017

**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	\$ 102,082	\$ -	\$ -	\$ 28,118	\$ (14,400)	\$ 115,800
Accounts payable - other	41,290	-	-	-	(800)	40,490
Notes payable, current portion	1,050,802	-	-	-	-	1,050,802
Accrued interest payable, current portion	814,510	-	-	-	-	814,510
Deferred rent payable, current portion	3,500	-	-	-	-	3,500
<b>Total Current Liabilities</b>	<b>2,012,184</b>	<b>-</b>	<b>-</b>	<b>28,118</b>	<b>(15,200)</b>	<b>2,025,102</b>

Long-Term Liabilities:

Notes payable, net of current portion	14,202,109	-	-	-	-	14,202,109
Accrued interest payable, net of current portion	537,687	-	-	-	-	537,687
Deferred rent payable, net of current portion	75,251	-	-	-	-	75,251
Tenant deposits payable	205,336	-	-	-	-	205,336
<b>Total Long-Term Liabilities</b>	<b>15,020,383</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,020,383</b>

**Total Liabilities** 17,032,567 - - 28,118 (15,200) 17,045,485

Net Assets:

Unrestricted	4,854,793	-	-	7,012,234	(7,012,234)	4,854,793
Controlling interests	-	-	-	-	-	-
Non-controlling interests	-	-	-	5,230,379	-	5,230,379
Temporarily restricted	-	219,475	-	-	-	219,475
Permanently restricted	-	-	261,664	-	-	261,664
<b>Total Net Assets</b>	<b>4,854,793</b>	<b>219,475</b>	<b>261,664</b>	<b>12,242,613</b>	<b>(7,012,234)</b>	<b>10,566,311</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,887,360</b>	<b>\$ 219,475</b>	<b>\$ 261,664</b>	<b>\$ 12,270,731</b>	<b>\$ (7,027,434)</b>	<b>\$ 27,611,796</b>

See accompanying report of independent auditors.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
 Consolidating Schedule of Financial Position  
 December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	84 New ETHIC LLC Unrestricted	Eliminations	Totals Dec. 31, 2016
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ 700,618	\$ -	\$ -	\$ 692,903	\$ -	\$ 1,393,521
Restricted Cash	299,432	136,537	-	-	-	435,969
Accounts receivable, net	27,809	-	-	-	-	27,809
Miscellaneous receivables	3,400	-	-	800	(800)	3,400
Prepaid rent, current portion	3,500	-	-	-	-	3,500
Prepaid expenses	3,000	-	-	-	-	3,000
<b>Total Current Assets</b>	<b>1,037,759</b>	<b>136,537</b>	<b>-</b>	<b>693,703</b>	<b>(800)</b>	<b>1,867,199</b>
Property and Equipment:						
Building and improvements	14,594,116	-	-	-	-	14,594,116
Land and improvements	6,916,184	-	-	10,996,959	-	17,913,143
Furniture and fixtures	81,245	-	-	-	-	81,245
Vehicle	14,144	-	-	-	-	14,144
<b>Total Property and Equipment</b>	<b>21,605,689</b>	<b>-</b>	<b>-</b>	<b>10,996,959</b>	<b>-</b>	<b>32,602,648</b>
Accumulated depreciation	(8,363,556)	-	-	-	-	(8,363,556)
<b>Net Property and Equipment</b>	<b>13,242,133</b>	<b>-</b>	<b>-</b>	<b>10,996,959</b>	<b>-</b>	<b>24,239,092</b>
Other Assets:						
Prepaid rent, net of current portion	78,751	-	-	-	-	78,751
Investment in 84 New Ethic	6,750,871	-	-	-	(6,750,871)	-
Investments	312,236	-	-	-	-	312,236
Endowments	56,507	6,542	260,886	-	-	323,935
<b>Total Other Assets</b>	<b>7,198,365</b>	<b>6,542</b>	<b>260,886</b>	<b>-</b>	<b>(6,750,871)</b>	<b>714,922</b>
<b>Total Assets</b>	<b>\$ 21,478,257</b>	<b>\$ 143,079</b>	<b>\$ 260,886</b>	<b>\$ 11,690,662</b>	<b>\$ (6,751,671)</b>	<b>\$ 26,821,213</b>

See accompanying report of independent auditors.  
 Page 34



**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**

Consolidating Schedule of Activities  
Year Ended December 31, 2017

<b>REVENUES</b>	Unrestricted	Temporarily Restricted	Permanently Restricted	84 New ETHIC LLC Unrestricted	Eliminations	Totals 2017
Revenues and Other Support:						
Low-income housing rent and laundry revenue	\$ 2,947,570	\$ -	\$ -	\$ -	-	\$ 2,947,570
Contributions and grants	260,602	91,730	778	-	-	353,110
Interest and dividends, net of fees	5,246	-	-	-	-	5,246
Net unrealized gains	78,364	-	-	-	-	78,364
Fund-raising, net of direct expenses of \$40,132	107,167	-	-	-	-	107,167
Office rent, net	18,467	-	-	-	-	18,467
Managing member fees	19,200	-	-	-	(14,400)	4,800
Reimbursed expenses	30,643	-	-	-	-	30,643
Miscellaneous income	30,872	-	-	-	-	30,872
Developer fee revenue	-	-	-	900,000	-	900,000
Partnership management fee revenue	25,000	-	-	-	-	25,000
LLC flowthrough revenue	261,363	-	-	-	(261,363)	-
	<u>3,784,494</u>	<u>91,730</u>	<u>778</u>	<u>900,000</u>	<u>(275,763)</u>	<u>4,501,239</u>
Revenues and Other Support						
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>						
Grants	10,000	(10,000)	-	-	-	-
Student Scholarship Account	5,334	(5,334)	-	-	-	-
Total Current Year Releases	<u>15,334</u>	<u>(15,334)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 3,799,828</u>	<u>\$ 76,396</u>	<u>\$ 778</u>	<u>\$ 900,000</u>	<u>\$ (275,763)</u>	<u>\$ 4,501,239</u>

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**

Consolidating Schedule of Activities (continued)

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	84 New ETHIC LLC Unrestricted	Eliminations	Totals 2017
<b>TOTAL REVENUES from previous page</b>	\$ 3,799,828	\$ 76,396	\$ 778	\$ 900,000	\$ (275,763)	\$ 4,501,239
<b>EXPENSES</b>						
Functional Expenses						
Program services	2,642,328	-	-	64,396	(14,400)	2,692,324
Supporting services / management and general	243,304	-	-	-	-	243,304
Supporting services / fund-raising	138,694	-	-	-	-	138,694
<b>Total Functional Expenses</b>	<b>3,024,326</b>	<b>-</b>	<b>-</b>	<b>64,396</b>	<b>(14,400)</b>	<b>3,074,322</b>
<b>CHANGE IN NET ASSETS</b>						
Net increase (decrease) in net assets	775,502	76,396	778	835,604	(261,363)	1,426,917
Net assets (deficit), as of the beginning of the year	4,079,291	143,079	260,886	11,407,009	(6,750,871)	9,139,394
Net assets, as of the end of the year	\$ 4,854,793	\$ 219,475	\$ 261,664	\$ 12,242,613	\$ (7,012,234)	\$ 10,566,311

See accompanying report of independent auditors.

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**

Consolidating Schedule of Activities  
Year Ended December 31, 2016

	Unrestricted		Temporarily Restricted	Permanently Restricted	84 New ETHIC LLC Unrestricted	Eliminations	Totals 2016
<b>REVENUES</b>							
Revenues and Other Support:							
Low-income housing rent and laundry revenue	\$ 2,791,186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,791,186
Program services	31,544	-	-	-	-	-	31,544
Land contribution	-	-	-	-	10,964,999	-	10,964,999
Developer fee	-	-	-	-	350,000	-	350,000
Closing fee	-	-	-	-	250,000	-	250,000
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 direct expenses of \$29,391	95,849	-	-	-	-	-	95,849
Office rent, net	3,274	-	-	-	-	-	3,274
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
LLC flowthrough revenue	6,783,870	-	-	-	-	(6,783,870)	-
Revenues and Other Support	10,210,494	10,000	-	-	11,564,999	(6,783,870)	15,001,623
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>							
Allen Baldwin Legacy Endowment	(107,428)	6,542	100,886	-	-	-	-
Stepping Up Endowment	(14,854)	14,854	-	-	-	-	-
Student Scholarship Account	5,195	(5,195)	-	-	-	-	-
Total Current Year Releases	(117,087)	16,201	100,886	-	-	-	-
Total Revenues	\$ 10,093,407	\$ 26,201	\$ 100,886	\$ 11,564,999	\$ (6,783,870)	\$ (6,783,870)	\$ 15,001,623

See accompanying report of independent auditors.  
Page 38



**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
 Consolidating Schedule of Activities (continued)  
 Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	84 New ETHIC LLC Unrestricted	Eliminations	Totals 2016
<b>TOTAL REVENUES from previous page</b>	\$ 10,093,407	\$ 26,201	\$ 100,886	\$ 11,564,999	\$ (6,783,870)	\$ 15,001,623
<b>EXPENSES</b>						
Functional Expenses						
Program services	2,820,554	-	-	-	-	2,820,554
Supporting services / management and general	198,115	-	-	102,990	-	301,105
Supporting services / fund-raising	120,859	-	-	-	-	120,859
<b>Total Functional Expenses</b>	<u>3,139,528</u>	<u>-</u>	<u>-</u>	<u>102,990</u>	<u>-</u>	<u>3,242,518</u>
<b>CHANGE IN NET ASSETS</b>						
Net increase (decrease) in net assets	6,953,879	26,201	100,886	11,462,009	(6,783,870)	11,759,105
Net assets (deficit), as of the beginning of the year	(2,874,588)	116,878	160,000	-	-	(2,597,710)
Contributions from non-controlling interest	-	-	-	-	-	-
Distributions to non-controlling interest	-	-	-	(55,000)	32,999	(22,001)
Net assets, as of the end of the year	<u>\$ 4,079,291</u>	<u>\$ 143,079</u>	<u>\$ 260,886</u>	<u>\$ 11,407,009</u>	<u>\$ (6,750,871)</u>	<u>\$ 9,139,394</u>

**ORANGE COUNTY COMMUNITY HOUSING CORPORATION**  
Schedule of Market Values of Occupied Properties (Unaudited)  
December 31, 2017

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
92030 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. Carmelian, Anaheim 92802-2427	1	250,000	250,000
1105, 1107, 1109 N. Citron Ln, 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, H Beach 92647	10	150,000	1,500,000
7602-7638 9th Street, Buena Park 90621	38	150,000	5,700,000
17422, 17432 Queens, H 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 92703-3664	1	250,000	250,000
809 S. Diamond, Santa Ana 92704-2813	1	250,000	250,000
1705 S. Spruce, Santa Ana 92704-4303	1	150,000	150,000
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, H Beach 92647	8	150,000	1,200,000
17432, 17401 Koledo Lane, H Beach 92647	10	150,000	1,500,000
17421 Koledo Ln, H Beach 92647	10	150,000	1,500,000
17412 Koledo Ln, H 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	1,350,000
Total Estimated Fair Market Value		\$ 36,438,400	\$ 36,438,400
Cost - Buildings		\$ 15,018,861	
Cost - Land		6,916,184	
Accumulated Depreciation		(8,585,943)	
Net Book Value			13,349,102
Total Estimated Fair Market Value in Excess of Book Value (Net)			\$ 23,089,298