L.A. FAMILY HOUSING CORPORATION
AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS
DECEMBER 31, 2018 AND 2017

HCVT
HOLTHOUSE | CARLIN | VAN TRIGT LLP

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
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DECEMBER 31, 2018 AND 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
L.A. Family Housing Corporation and Affiliated Organizations:

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of L.A. Family Housing Corporation (a nonprofit California Corporation) and Affiliated Organizations (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years 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 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 audits. We conducted our audits 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 from 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2018 and 2017, and the change in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 of the accompanying financial statements, the Organization adopted the provisions of Accounting Standards Update 2016-14 *Presentation of Financial Statement of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented with the exception of certain disclosures regarding liquidity and availability of resources as provided by the standard. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. The accompanying supplementary information in Schedules III through V consists of information required by the *California Department of Housing and Community Development* (HCD) for one of LA Family Housing's wholly owned entities and is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. In addition, the accompanying schedule of expenditures of federal awards (Schedule VI) is required by the Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is presented for purposes of additional analysis, although not a required part of the 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 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 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 22, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Holthouse Carlin & Van Trigt LLP

Los Angeles, California
August 22, 2019

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31,	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 2,576,251	$ 1,242,127
Investments	7,093,672	-
Contributions receivable due within one year	1,389,305	1,071,269
Contracts receivable due within one year	7,965,774	5,296,837
Unbilled contract receivable due within one year	-	447,001
Receivables - rental	92,084	72,998
Prepaid expenses and other assets	736,559	537,528
Current portion of restricted cash	173,016	173,016
Tenant security deposits and client trust accounts	431,352	393,778
Total current assets	20,458,013	9,234,554
Restricted property reserves		
Operating reserves	1,367,148	1,402,251
Replacement reserves	1,383,063	1,380,303
Transition reserves	715,696	713,786
Total restricted property reserves	3,465,907	3,496,340
Restricted cash, net of current portion	4,656,002	10,140,768
Property and equipment, at cost		
Land	16,503,232	16,109,978
Buildings and building improvements	79,141,496	70,344,115
Furniture and equipment	1,884,955	1,881,082
Automobiles	448,791	235,098
Construction in progress and development costs (Note 11)	8,474,792	10,646,805
Total property and equipment, at cost	106,453,266	99,217,078
Less: accumulated depreciation	(21,764,251)	(19,758,159)
Property and equipment, net	84,689,015	79,458,919
Notes receivable (Note 5)	20,479,749	20,479,749
Contributions receivable, net of current portion	1,273,076	251,342
Due from affiliates	490,269	-
Deferred costs, net	101,661	114,918
Total assets	$ 135,613,692	$ 123,176,590

See accompanying notes to consolidated financial statements.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31,	2018	2017
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 2,210,719	$ 2,288,279
Accrued payroll	712,530	419,286
Current portion of notes payable	10,905,525	9,282,859
Current portion of accrued interest payable	16,163	33,326
Construction costs payable	2,014,671	4,763,756
Deferred revenues	5,898,614	2,937,321
Tenant deposit liabilities	428,126	407,421
Total current liabilities	22,186,348	20,132,248
Notes payable secured by real estate, net of current portion and unamortized debt issuance costs	80,556,365	80,849,327
Accrued interest payable, net of current portion	12,726,468	11,552,830
Total liabilities	115,469,181	112,534,405
Commitments and contingencies (see Notes)		
Net assets		
Without donor restrictions		
Controlling interest	9,958,998	1,513,673
Noncontrolling interest	6,973,253	6,990,198
Total net assets without donor restrictions	16,932,251	8,503,871
With donor restrictions	3,212,260	2,138,314
Total net assets	20,144,511	10,642,185
Total liabilities and net assets	$ 135,613,692	$ 123,176,590

See accompanying notes to consolidated financial statements.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31,

	2018			2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Public support and revenues						
Government contracts and grants	$ 29,693,076	$ -	$ 29,693,076	$ 15,544,662	$ -	$ 15,544,662
Private contributions (corporate, foundation and individuals)	8,225,713	5,115,506	13,341,219	4,562,032	2,061,820	6,623,852
Contributed goods and services (Note 2)	930,331	-	930,331	752,358	-	752,358
Special events revenues	1,920,985	-	1,920,985	1,307,208	-	1,307,208
Total public support and revenues	40,770,105	5,115,506	45,885,611	22,166,260	2,061,820	24,228,080
Other revenues						
Rental revenues, net	4,449,722	-	4,449,722	3,747,986	-	3,747,986
Other revenues	380,014	-	380,014	434,377	-	434,377
Total other revenues	4,829,736	-	4,829,736	4,182,363	-	4,182,363
Net assets released from restrictions	4,041,560	(4,041,560)	-	1,904,405	(1,904,405)	-
Total public support and revenues, other revenues and net assets released from restrictions	49,641,401	1,073,946	50,715,347	28,253,028	157,415	28,410,443
Expenses						
Program services						
Homeless services	30,530,921	-	30,530,921	17,308,789	-	17,308,789
Real estate development	582,388	-	582,388	929,524	-	929,524
Permanent housing operation	7,516,856	-	7,516,856	5,775,524	-	5,775,524
Total program services	38,630,165	-	38,630,165	24,013,837	-	24,013,837
Supporting services						
Management and general	2,562,048	-	2,562,048	2,088,948	-	2,088,948
Fundraising and development	1,356,517	-	1,356,517	1,091,372	-	1,091,372
Total supporting services	3,918,565	-	3,918,565	3,180,320	-	3,180,320
Total expenses	42,548,730	-	42,548,730	27,194,157	-	27,194,157
Change in net assets	7,092,671	1,073,946	8,166,617	1,058,871	157,415	1,216,286
Net assets, beginning of the year	8,503,871	2,138,314	10,642,185	7,480,000	1,980,899	9,460,899
Contributions (Note 12)	1,335,709	-	1,335,709	-	-	-
Syndication costs	-	-	-	(35,000)	-	(35,000)
Net assets, end of the year	$ 16,932,251	$ 3,212,260	$ 20,144,511	$ 8,503,871	$ 2,138,314	$ 10,642,185

See accompanying notes to consolidated financial statements.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			
	Homeless Services	Real Estate Development	Permanent Housing Operation	Subtotal Program Services	Management and General	Fundraising and Development	Subtotal Supporting Services	Total 2018 Expenses
Bad debt expense	$ 161,091	$ -	$ 182,021	$ 343,112	$ 1,478	$ -	$ 1,478	$ 344,590
Client food and meals	511,790	-	-	511,790	-	-	-	511,790
Client supplies/program expense	11,680,689	-	-	11,680,689	-	378	378	11,681,067
Office equipment and supplies	451,772	10,578	55,300	517,650	207,671	19,303	226,974	744,624
Other operating expenses	2,068,024	10,186	217,962	2,296,172	281,763	147,461	429,224	2,725,396
Professional and legal fees	225,184	27,500	203,890	456,574	372,741	5,525	378,266	834,840
Insurance	89,558	-	183,423	272,981	26,365	-	26,365	299,346
Property management and development	21,837	36,962	352,499	411,298	-	-	-	411,298
Property taxes and other fees	111,792	-	161,336	273,128	8,381	-	8,381	281,509
Rent expense	563,588	6,504	424	570,516	8,260	6,504	14,764	585,280
Repairs and maintenance	625,247	-	1,008,081	1,633,328	13,743	6,867	20,610	1,653,938
Salaries, taxes, and benefits	13,309,281	390,005	654,922	14,354,208	1,406,600	645,719	2,052,319	16,406,527
Special events/fundraising	1,935	-	-	1,935	-	518,298	518,298	520,233
Utilities	522,049	1,204	648,427	1,171,680	26,977	6,436	33,413	1,205,093
Vehicle expenses	160,137	-	3,913	164,050	996	26	1,022	165,072
Total before financial expenses	30,503,974	482,939	3,672,198	34,659,111	2,354,975	1,356,517	3,711,492	38,370,603
Interest expense and finance fees	5,721	99,449	1,824,314	1,929,484	170,795	-	170,795	2,100,279
Total before depreciation and amortization	30,509,695	582,388	5,496,512	36,588,595	2,525,770	1,356,517	3,882,287	40,470,882
Depreciation and amortization	21,226	-	2,020,344	2,041,570	36,278	-	36,278	2,077,848
Total expenses	$ 30,530,921	$ 582,388	$ 7,516,856	$ 38,630,165	$ 2,562,048	$ 1,356,517	$ 3,918,565	$ 42,548,730

See accompanying notes to consolidated financial statements.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services			
	Homeless Services	Real Estate Development	Permanent Housing Operation	Subtotal Program Services	Management and General	Fundraising and Development	Subtotal Supporting Services	Total 2017 Expenses
Bad debt expense	$ 129,888	$ -	$ 7,996	$ 137,884	$ 3,900	$ -	$ 3,900	$ 141,784
Client food and meals	332,069	-	55	332,124	-	-	-	332,124
Client supplies/program expense	5,360,626	-	-	5,360,626	-	429	429	5,361,055
In-kind expenses	750,156	-	-	750,156	-	2,202	2,202	752,358
Office equipment and supplies	262,592	5,103	41,773	309,468	67,996	34,591	102,587	412,055
Other operating expenses	837,922	8,550	83,880	930,352	250,987	119,149	370,136	1,300,488
Personnel expenses	133,464	6,850	36,033	176,347	80,699	8,164	88,863	265,210
Professional and legal fees	114,270	4,695	148,016	266,981	262,555	2,687	265,242	532,223
Property insurance	58,528	552	243,157	302,237	5,847	1,227	7,074	309,311
Property management and development	258	245,590	184,700	430,548	-	-	-	430,548
Property taxes and other fees	38,337	-	120,267	158,604	5,649	-	5,649	164,253
Rent expense	144,673	-	1,098	145,771	677	21	698	146,469
Repairs and maintenance	383,979	87,559	1,123,360	1,594,898	4,743	539	5,282	1,600,180
Salaries, taxes, and benefits	8,301,378	327,974	266,238	8,895,590	1,362,922	467,858	1,830,780	10,726,370
Special events/fundraising	8,741	479	-	9,220	2,968	450,601	453,569	462,789
Utilities	337,982	1,679	626,731	966,392	13,360	3,819	17,179	983,571
Vehicle expenses	22,829	-	9,663	32,492	1,107	-	1,107	33,599
Total before financial expenses	17,217,692	689,031	2,892,967	20,799,690	2,063,410	1,091,287	3,154,697	23,954,387
Interest expense	9,282	240,493	1,298,917	1,548,692	4,958	85	5,043	1,553,735
Total before depreciation and amortization	17,226,974	929,524	4,191,884	22,348,382	2,068,368	1,091,372	3,159,740	25,508,122
Depreciation and amortization	81,815	-	1,583,640	1,665,455	20,580	-	20,580	1,686,035
Total expenses	$ 17,308,789	$ 929,524	$ 5,775,524	$ 24,013,837	$ 2,088,948	$ 1,091,372	$ 3,180,320	$ 27,194,157

See accompanying notes to consolidated financial statements.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	**2018**	**2017**
Cash flows from operating activities		
Change in net assets	$ 8,166,617	$ 1,216,286
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,077,848	1,686,035
Amortization of debt issuance costs	33,000	33,000
Contribution of land	-	(1,800,000)
Contribution of stock	(5,112,104)	-
Bad debt expense	344,590	141,784
Unrealized/realized loss on investments	22,838	-
Sale of contributed stock	5,089,266	-
Changes in operating assets and liabilities:		
Contributions receivable	(1,339,770)	28,341
Contracts receivable	(2,993,406)	(2,850,247)
Unbilled contract receivable due within one year	447,001	(447,001)
Receivables - rental	(39,207)	(6,982)
Prepaid expenses and other assets	(199,031)	(204,197)
Tenant security deposits and client trust accounts	(37,574)	40,120
Accounts payable and accrued expenses	(77,560)	1,662,816
Accrued interest payable	1,180,020	1,168,306
Accrued payroll	293,244	(79,299)
Deferred revenues	2,961,293	1,983,908
Tenant deposit liabilities	20,705	(10,374)
Net cash provided by operating activities	10,837,770	2,562,496
Cash flows from investing activities		
Net change in restricted cash	5,515,199	2,056,496
Expenditures for property, including development and construction costs	(10,003,342)	(13,571,370)
Purchase of investments	(7,093,672)	-
Net cash used in investing activities	(11,581,815)	(11,514,874)
Cash flows from financing activities		
Contributions	1,335,709	-
Proceeds from notes payable	4,270,226	10,338,407
Payment of notes payable	(3,519,356)	(1,602,105)
Expenditures for debt issuance costs	(8,410)	(15,925)
Net cash provided by financing activities	2,078,169	8,720,377
Net change in cash and cash equivalents	1,334,124	(232,001)
Cash and cash equivalents, beginning of year	1,242,127	1,474,128
Cash and cash equivalents, end of year	$ 2,576,251	$ 1,242,127

See accompanying notes to consolidated financial statements.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2018	2017
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of capitalized interest (Note 8)	$ 838,366	$ 542,493
Cash paid for taxes	$ 11,867	$ 11,340
Non-cash transactions:		
Unpaid construction costs	$ 2,014,671	$ 4,763,756
Accrued interest converted to principal	$ 23,545	$ 22,860
Unpaid capitalized interest	$ 15,586	$ 190,064
Contribution of goods and services	$ 930,331	$ 752,358
Syndication costs	$ -	$ 35,000
Amortization of debt issuance costs capitalized to construction in progress	$ 17,933	$ -

See accompanying notes to consolidated financial statements.

1. ORGANIZATION

L.A. Family Housing Corporation and Affiliated Organizations (collectively, the Organization) are corporations organized under the General Nonprofit Corporation Law of the State of California. These corporations help homeless and low-income families and individuals of the Greater Los Angeles area transition out of poverty and create lasting stability. The Organization provides a comprehensive range of supportive services and offers a continuum of housing, including emergency and bridge, scattered site community based placement, permanent supportive and permanent affordable housing.

L.A. Family Housing Corporation (LAFH) wholly owns and operates the following:

- LAFH provides administration and management services for the various programs of the Organization.
- Comunidad Cesar Chavez (previously known as Chernow House and Triangle Apartments) is a 146-bed, 27-unit complex located in the Boyle Heights area of Los Angeles, California, which provides emergency shelter for up to four months for homeless families.
- Gentry Village is a 3-unit complex located in North Hollywood, California, which provides permanent housing for families with low income.
- Martin Luther King, Jr. (MLK) is a 7-unit complex located in Los Angeles, California, which provides permanent housing for families with low income.
- Strong House is a 6-unit historical mansion located in Los Angeles, California, which provides permanent housing for families with low income.
- Gentry North is a 5-unit complex located in North Hollywood, California, which provides permanent housing for families and single adults with low income.
- Casa Figueroa is a 4-unit complex located in Los Angeles, California, which provides permanent housing for families with low income.
- Hyde Park is a 25-unit complex in Inglewood, California, which provides permanent housing for families with low income.
- Klump is a 15-unit complex located in North Hollywood, California, which provides permanent supportive housing for single adults with very low income.
- Delano I is a 9-unit complex located in Van Nuys, California, which provides permanent housing for families with low income.
- Delano II is a 9-unit complex located in Van Nuys, California, which provides permanent housing for families with low income.

Incorporated affiliated nonprofit organizations represent organizations that are individually incorporated under the laws of the state of California, have independent boards of directors, but are directly governed by the Organization's board of directors and are centrally managed in conjunction with the Organization's housing programs. Accordingly, the assets, liabilities, support, revenues and expenses of the following affiliated nonprofit organizations are consolidated in the financial statements of the Organization:

- L.A.F.H. Temporary Housing Corp. I (Valley Shelter) is a nonprofit California corporation originally established to manage the Valley Shelter project in North Hollywood, California, for up to 250 homeless adults. While the Valley Shelter project no longer exists, the corporation remains to receive FEMA and United Way funding for the operation of Bridge Housing at the South Campus under the Emergency Food and Shelter Program contracts.

- L.A.F.H. Permanent Housing Corp. I (Casa Central) is a nonprofit California corporation established to own a 6-unit complex located in Los Angeles, California, which provides permanent housing for families with low income.

- Cochran Villa Inc. (Cochran Villa) is a nonprofit California corporation established to own a 10-unit complex located in Los Angeles, California, which provides permanent housing for families with low income.

- Harmony Villa, Inc. (Harmony Place) is a nonprofit California corporation established to own an 18-unit complex located in North Hollywood, California, which provides permanent housing for families with low income and owns a 1% interest in Glenoaks Gardens Limited Partnership.

- LAFH Phase I QALICB, Inc. (Phase I) is a California nonprofit corporation established to acquire and rehabilitate the property formerly known as Sydney M. Irmas Transitional Living Center (TLC) and to develop the South Campus at LA Family Housing (South Campus) using federal New Market Tax Credits (NMTC). South Campus includes Bridge Housing for single adults (up to 250 beds), Crisis Housing for families (12 units), and the Family Solution Center for all families. The rehabilitation was completed in 2017.

- LAFH Phase II QALICB, Inc. (Phase II) is a California nonprofit corporation established to acquire the property formerly known as Valley Shelter and to develop commercial property at North Campus at LA Family Housing (North Campus) using federal NMTC. The commercial improvements consist of an intake and assessment center for homeless families, crisis housing and a shelter serving homeless individuals, and community and medical space. North Campus also includes residential property constructed by PSH Campus, L.P. (PSH Campus). The development of the commercial property commenced in 2016 and was completed in May 2019 (Note 12).

The Organization also includes five limited liability companies (LLCs) and six limited partnerships (Partnerships) in its consolidated financial statements as it has a 100% ownership interest in these entities. Accordingly, the assets, liabilities, support, revenues and expenses of the following entities are consolidated in the financial statements of the Organization:

- LA Family Housing, LLC (LAFH, LLC) is a single member California LLC established to be the limited partner for various tax credit properties that are wholly owned by LAFH.

- Apartments at Day Street, LLC (Day Street LLC) is a single member California LLC established to be the general partner for Day St., L.P. and owns a .01% interest.

- PSH Campus, LLC (PSH Campus LLC) is a single member California LLC established to be the general partner for PSH Campus and owns a .01% interest.

- Ormond Beach Housing, LLC is a single member California LLC established to be the administrative general partner for Ormond Beach LP (Note 6) and owns a .002% interest.

- LAFH, combined with affiliate interests, owns a 100% interest in the following limited partnerships:

Wholly Owned Partnerships	**Affiliate Interest**	**LAFH Interest**	**Number of Units**
Glenoaks Gardens, L.P. (Glenoaks Gardens)	1%	99%	61
Vineland Place Limited Partnership (Vineland Place)	10%	90%	18
Alabama Court Limited Partnership (Alabama Court)	99%	1%	42
Harmony Gardens Limited Partnership (Harmony Gardens)	99%	1%	14
11754 Vanowen Gardens, L.P. (Vanowen Gardens)	99%	1%	15
13436 Victory Partners, L.P. (Victory)	99.99%	.01%	15
Total units			165

The Organization directly, or through an affiliate, is the general partner in four limited partnerships that are invested in or developing residential apartment complexes that qualify for low-income housing tax credits under Section 42 of the Internal Revenue Code and rent to qualified low-income tenants. LAFH holds up to a 1% controlling ownership interest in each of these limited partnerships (Controlled Limited Partnerships). In addition, LAFH has a 60% member interest in Residence on Main GP LLC, General Partner in Residence on Main, L.P., which will develop, construct and operate affordable housing. Accordingly, the assets, liabilities, support, revenues and expenses of the following partnerships are consolidated in the financial statements of the Organization, and the noncontrolling interest is separately disclosed in the consolidated statement of financial position:

Controlled Limited Partnerships	**General Partner**	**Number of Units**
14649 Saticoy Partners, L.P. (Saticoy)	LAFH	30
Day Street, L.P. (Day Street)	Day Street LLC	46
PSH Campus (Note 12)	PSH Campus LLC	50
Residences on Main, L.P. (ROM) (Note 12)	Residences on Main GP LLC	50
Total units		176

Description of Programs LAFH assists families and individuals who are homeless or in danger of homelessness become connected to housing and supportive services through their outreach and assessment process.

- **Homeless Services** - consists of outreach and prevention, interim housing (bridge and crisis); housing navigation intake, assessment, placement services; and housing stabilization. Supportive services ensure the individuals and families served have all the resources they need to achieve stability and stay housed.

- Services are provided by LAFH staff in collaboration with partner agencies and include:

  - Case management and life skills training
  - Housing location, placement and retention services
  - Employment placement and job development
  - Licensed pre-school, after-school and child enrichment programs
  - Medical, mental health, and behavioral health care
  - Linkages to benefits, substance counseling, continuing education, and more

- **Real Estate Development** - builds new affordable housing units through new construction, acquisition and rehabilitation, or through partnerships with third party developers. The program develops affordable housing for individuals and families with annual median incomes ranging from very-low to moderate income. Permanent Supportive Housing (PSH) is a model of affordable housing which targets chronically homeless people who live with one or more disabling conditions and offers supportive services on-site.

- **Permanent Housing Operations** - refers to the operation of all LAFH owned/developed affordable housing. The properties all serve very low and low income households, including some properties dedicated to formerly homeless households with special needs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The consolidated financial statements have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of LAFH and all of its wholly owned and controlled affiliates. These entities are included in the consolidation in accordance with U.S. GAAP, which require that the partnership or company accounts be consolidated for all entities which are deemed to be controlled by LAFH. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenues, expenses, gains, losses and net assets are classified in the consolidated financial statements based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions:

- ***Controlling interest*** – Net assets not restricted by donor-imposed stipulations. The only limits on net assets are broad limits resulting from the nature of the Organization and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements. Net assets without donor restriction - controlling interest, consist of undesignated and board designated net assets.

- ***Noncontrolling interest in limited partnerships*** – Net assets that represent the limited partners' equity interest in the Controlled Limited Partnerships, generally up to 99.99%, that are included in the consolidated financial statements (Note 13).

Net Assets With Donor Restrictions - Net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources will be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both (Note 13).

Cash and Cash Equivalents For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash In accordance with loan agreements, the Organization is required to deposit loan proceeds to be used for development purposes. In addition, restricted cash includes reserves required by lenders for purposes of funding certain current operating costs and debt service.

Restricted Property Reserves The Organization has set up certain operating, replacement and transition reserve accounts and continues to make annual deposits as required by the various loan and regulatory agreements. In addition, reserves were established for Phase I and Phase II in accordance with NMTC agreements restricted for the purpose of development and to cover annual transaction and management fees.

Investments Investments in marketable securities are recorded at fair value with realized and unrealized gains and losses included in the statement of activities and change in net assets. Realized gains and losses are determined using the specific identification method and are recorded on their respective trade date. Net unrealized appreciation (depreciation) on investments is reported as increases or decreases in net assets without donor restriction in the statement of activities and change in net assets for changes in the difference between the recorded cost of the investment and the fair value of the investment at the financial statement date. Dividend and interest income are recorded when earned.

Rental Receivables and Bad Debt Expense Rental receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. U.S. GAAP requires 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.

Public Support and Revenue Recognition The Organization receives contract and grant funding from federal, state and local agencies for providing crisis and bridge housing, transitional housing and permanent supportive services. Revenues from such contracts and grants are recognized as they are earned through expenditure in accordance with the agreements. Any funds received in advance of the expenditure being incurred are recorded as a liability.

Contributions are recognized at the earlier of the date of receipt of funds or the date of a formal, unconditional pledge from known donors. Contributions or unconditional promises to give with payments due in future periods are discounted to present value and reported as increases in net assets without donor restriction. Any funds received in advance of a condition being met are recorded as a liability. Contributions receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. There was no allowance for uncollectable contributions receivable as of December 31, 2018 and 2017.

Revenues from program service fees are recognized as services are performed and collection is reasonably assured.

Revenues from rental properties, primarily from short-term leases, are reflected as gross potential rents, net of vacancies, as the rents become due.

Developer fees are recognized during the construction period based on the percentage of construction complete. Amounts not received by the completion date are recorded as a receivable. The gross profit on developer fees earned from affiliated entities is eliminated in consolidation.

Special Events The Organization conducts several special events during the year to raise money in support of its operations. Special events revenues include corporate contributions and are recognized when the event is held, unless otherwise restricted by donors. The contributions received for special events scheduled to occur after year-end are recorded as deferred revenues and recognized as revenues on the date of the event. Revenue from these events are included in contributions and special events revenue and the related direct expenses are included in special events/fundraising expense in the consolidated statements of functional expense.

Rental / Operating Subsidy A portion of rental and operating revenue at a number of the apartment buildings is received from the Housing Authority for the City of Los Angeles (Section 8 rental subsidy), the Department of Mental Health Services (MHSA operating subsidy), and/or the Department of Health Services (DHS vouchers). Tenant rents are subsidized based on their income and special needs qualifications. Subsidy revenue is included in the accompanying consolidated statements of activities and change in net assets within rental revenues.

Donated Assets Donated assets are recorded at fair value at the date of donation. Such donations are reported as without restriction unless the donor has restricted the use of the gift. Contributed securities without donor restriction that are sold immediately are reported as operating cash flows in the consolidated statement of cash flows. Contributed property and equipment donated with explicit restriction regarding their use are reported as net assets with donor restriction. The Organization reports expirations of donor restrictions when the donated property and equipment is placed in service as stipulated by the donor. During the year ended December 31, 2018, the Organization received contributed securities with a fair value of $5,000,000. During the year ended December 31, 2017, the Organization received a donation of land with an estimated fair value of $1,800,000 as of the date of donation.

Property and Equipment Property and equipment and leasehold improvements, including real estate under development, is stated at cost.

Depreciation and amortization of assets placed in service is calculated using the straight-line method over the following estimated useful lives:

Description	**Life**
Buildings and building improvements	40 years
Land improvements	20 years
Furniture, equipment, and automobiles	5-7 years
Leasehold improvements	Lesser of life or lease

The Organization capitalizes expenditures or betterments that materially increase asset lives and charges ordinary repairs and maintenance to operations as incurred. Costs of projects under development include direct and indirect costs of construction and carrying costs incurred during the development period. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations. Interest costs directly related to, and incurred during, a project’s construction period are capitalized (Note 8).

The Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property, including the low-income housing tax credits and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, the Organization recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment losses were recognized in 2018 or 2017.

Predevelopment Project Costs The Organization incurs costs in connection with properties it is considering for development as well as costs associated with properties in the initial state of development. The Organization capitalizes these costs until the project is transferred to a separate entity or charges the costs to operations at the time it is determined the project is not feasible. Predevelopment project costs are included in construction in progress and development costs in the accompanying consolidated statements of financial position. There were no abandoned project costs for the years ended December 31, 2018 and 2017.

Investments in Unconsolidated Partnerships The Organization holds investments in limited partnerships that are not consolidated as they are not controlled by the Organization (Note 7). The ownership interests range from 0.002% to 50% and accounted for under the equity method, since the Organization has significant influence over the major operating and financial policies of the limited partnerships. The Organization's cost is increased for its share of profits and contributions, and reduced by distributions and its share of losses.

The Organization evaluates its investments in limited partnerships for impairment in value and records a write-down if it is determined that any impairment in value is other than temporary. No such write-downs have been recorded in the accompanying consolidated financial statements.

Deferred Costs Deferred costs consist of California Tax Credit Allocation Committee (TCAC) monitoring fees which are amortized over 10-15 years. Deferred costs are as follows:

As of December 31,	2018	2017
TCAC fees	$ 149,997	$ 149,997
Less: accumulated amortization	(48,336)	(35,079)
Deferred costs, net	$ 101,661	$ 114,918

Debt Issuance Costs Debt issuance costs of $1,799,348 and $1,790,938, net of accumulated amortization of $405,782 and $332,352 as of December 31, 2018 and 2017, respectively, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is calculated using a method that approximates the effective interest method. Amortization of debt issuance costs is capitalized to construction in progress and development costs during construction.

Contributed Goods and Services Contributed goods and services are recorded as contributions at their estimated fair values at the date of donation. Contributed goods consist primarily of household supplies, beds, hygiene products, equipment, and food. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, and would typically need to be purchased if not provided by donation. In-kind contributions of $930,331 and $752,358 for the years ended December 31, 2018 and 2017, respectively, are included in the accompanying consolidated financial statements.

Functional Allocation of Expenses The cost of providing various programs and other activities of the Organization has been summarized by function and natural classification in the accompanying statements of activities and change in net assets. Expenses that are directly attributable to a specific functional classification of LAFH are reported as expenses in those functional areas. Shared general and administrative expenses that benefit multiple functional areas are allocated among the various functions using a percentage method. The allocation methodology is periodically reviewed by management for relevancy and accuracy.

The functional classifications are defined as follows:

- Program service expenses consist of costs incurred in connection with providing services and conducting programs.
- Management and general expenses consist of costs incurred in connection with the overall activities of the Organization which are not allocable to another functional expense category.
- Fundraising expenses consist of costs incurred in connection with activities related to obtaining grants and community engagement and development activities designed to generate revenue.

Income Taxes The nonprofit entities consolidated in these consolidated financial statements have been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, these nonprofits do not have any income which they believe would subject it to unrelated business income taxes. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and there are no other tax positions which must be considered for disclosure. With few exceptions, the nonprofit entities are no longer subject to income tax examinations by tax authorities for years before 2014. There are no current tax examinations pending.

No provision for income taxes has been made for the consolidated partnerships or the consolidated LLCs as any income or loss is included in the tax returns of the partners or members. The federal tax status as a pass-through entity is based on its legal status as a partnership or LLC. The partnerships and LLCs are required to file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Partnerships and LLCs have no other tax positions which must be considered for disclosure. The Partnerships and LLCs are required to pay an $800 fee to the California Franchise Tax Board. With few exceptions, these Partnerships and LLCs are no longer subject to income tax examinations by tax authorities for years before 2014. There are no current tax examinations pending.

Concentrations of Business and Credit Risk The Organization’s cash and cash equivalents are maintained in various bank accounts. The Organization has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. The Organization believes that its credit risk is not significant.

The Organization receives a significant amount of revenue from government contracts, as well as from affordable housing projects in which it is the general partner. These sources of funds are dependent upon the availability of funds from federal programs, as well as the continued success of the rental properties.

The Organization’s investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the Organization’s investment account balances and the amounts reported in the accompanying consolidated financial statements. The Organization does not believe there is a significant risk associated with its investment policy.

For the year ended December 31, 2018 the Organization had two government contracts and grants and one private grant which accounted for 64% and 11%, respectively, of its total public support and revenues. For the year ended December 31, 2017, the Organization had two government contracts and grants which accounted for 58% of its total public support and revenues.

Property Tax Exemption The Organization’s property is generally exempt from real property taxes. In the event such exemption is not renewed annually or no longer available, the Organization’s cash flow would be negatively impacted.

Property Management Agreements The Organization entered into property management fee agreements for its various properties, including those held in controlled limited partnerships, with an unrelated party to pay monthly fees as defined in the agreements.

Use of Estimates The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Fair Value Measurements The Organization accounts for its investments using fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value measurement hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable.

The Organization's management used the following methods and assumptions to estimate the fair value of their financial instruments:

- Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level 1 includes listed equities held in the name of the Organization, and exclude listed equities and other securities held indirectly through commingled funds.

- Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

- Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Adoption of Accounting Standards Update Effective January 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external direct expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Implementation of ASU 2016-14 did not require reclassification or restatement of any balances related to the prior year presented. The Organization's net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Similarly, the Organization's net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

New Accounting Pronouncements In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers*. Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The updated standard will replace most existing revenue recognition guidance under GAAP when it becomes effective for annual reporting periods beginning after December 15, 2018, and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. In June 2018, the FASB issued ASU 2018-08 which clarified the scope and accounting guidance for contributions received and contributions made for not-for-profit entities (ASC 958). The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, to provide classification guidance for certain transactions. FASB ASU 2016-15 is effective for private entities for fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of FASB ASU 2016-15 on January 1, 2019 will have on its consolidated financial statements.

In November 2016, the FASB issued ASU-2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which changes how restricted cash is presented on the statement of cash flows. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update do not provide a definition of restricted cash or restricted cash equivalents. For private entities, the guidance in ASU 2016-18 is effective for annual periods beginning after December 15, 2018, with early adoption permitted. The Organization has not yet determined the impact the adoption of ASU 2016-18 on January 1, 2019 will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability, measured on a discounted basis, on the balance sheet for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities and change in net assets (deficit). A modified retrospective transition approach is required for capital and operating leases existing at the date of adoption, with certain practical expedients available. The Organization is currently evaluating the impact the adoption of ASU 2016-02 on January 1, 2020 will have on its consolidated financial statements.

Reclassifications Certain reclassifications have been made to the prior year consolidated financial statements to conform to the presentation of the current year consolidated financial statements.

3. LIQUIDITY AND AVAILABILITY

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Financial assets available for general expenditure, that is, funds without donor restrictions or other restrictions limiting their use that will pay for operating expenses within one year of the statement of financial position date, comprise the following:

Financial assets at year end:	
Cash and cash equivalents, including restricted cash, tenant security deposit and restricted property reserves	$ 11,302,528
Contributions receivable	2,662,381
Contracts receivable	7,965,774
Receivable - rental	92,084
Investments	7,093,672
Total financial assets	29,116,439
Less amounts not available to be used within one year:	
Restricted cash, property reserve and tenant security deposit	(8,553,261)
Contributions receivable	(1,273,076)
Investments held for acquisition and future development of permanent housing	(7,000,000)
Financial assets not available to be used within one year	(16,826,337)
Financial assets available to meet general expenditures within one year	$ 12,290,102

As part of liquidity management, the Organization designates operating surplus cash to an organizational cash reserve and also invests cash in excess of its operating requirements. Investment funds expected by management to be used in the acquisition and development of permanent housing have been classified as not available for general obligations within one year. Although the Organization does not intend to spend from these accounts, these amounts could be made available if necessary. Restricted cash, although restricted for purpose, will be utilized to cover salaries and other operating costs as restrictions are met. Contributions receivable not available for general obligations have donor imposed restrictions that will not be met within one year, or are not expected to be collected in 2019. In addition, the Organization maintains a line of credit for additional liquidity (Note 8).

In connection with the consolidated entities, the Organization maintains restricted property reserves that can be utilized to pay for replacement costs and fund operating deficits. In addition, the Organization will defer payments on related party fees and will fund operating shortfalls, as needed, to ensure that funding requirements are met over the next year. Property restricted reserves were $715,696 as of December 31, 2018.

4. INVESTMENTS

Investments in marketable securities are classified as available for sale and are stated at fair value using Level 1 inputs with realized and unrealized gains and losses included in the consolidated statement of activities and changes in net assets.

A summary of investments is as follows at December 31:

	2018 Fair Value	2018 Cost	2017 Fair Value	2017 Cost
Fixed income	$ 2,755,983	$ 2,742,149	$ -	$ -
Equities	167,630	167,202	-	-
Short term investments	1,084,543	1,083,045		
Cash	3,085,516	3,085,516	-	-
Total	$ 7,093,672	$ 7,077,912	$ -	$ -

Investment income comprises interest and dividend income, net realized and unrealized gains (losses) on investments, and investment expenses and is included in other revenues on the accompanying consolidated statements of activities and change in net assets.

5. CONTRIBUTIONS AND CONTRACTS RECEIVABLE

At December 31, 2018 and 2017, the Organization had multi-year contributions receivable of $2,662,381 and $1,322,611, respectively, and contracts receivable from federal and county awards of $7,965,774 and $5,296,837, respectively, which are expected to be received within one year.

As of December 31, 2018, multi-year contributions receivable are scheduled to be collected as follows:

Year Ending December 31,	Amount
2019	$ 1,389,305
2020	657,876
2021	615,200
Total	$ 2,662,381

6. NOTES RECEIVABLE – NEW MARKET TAX CREDITS PROGRAM

Development of the South Campus property was funded utilizing financing from the NMTC program. During 2015, the Organization issued a secured note receivable of $7,998,600 maturing in 2049, due from Chase NMTC LAFH Phase I Investment Fund, LLC (Chase NMTC I), an unrelated entity. As a result, LCD New Markets Fund XIX, LLC (LCD XIX), an unrelated entity in which Chase NMTC I holds a 99.99% interest, loaned funds to Phase I, a consolidated entity. The note receivable requires interest only payments due annually for the first 7 years at 1%.

Development and construction of the North Campus property was funded utilizing financing from the NMTC program. During 2016, the Organization issued two secured notes receivable of $2,100,000 maturing in 2023 and $10,381,149 maturing in 2043, due from Chase NMTC LAFH Phase II Investment Fund, LLC (Chase NMTC II), an unrelated entity. As a result, LCD New Markets Fund XXI, LLC (LCD XXI), an unrelated entity in which Chase NMTC II holds a 99.99% interest, loaned funds to Phase II, a consolidated entity. The notes receivable require interest only payments due quarterly for the first 7 years at 1.215%.

7. INVESTMENT IN UNCONSOLIDATED PARTNERSHIPS

LAFH and its affiliates hold investments in two joint ventures that are not consolidated. The joint ventures are California limited partnerships organized for the purpose of developing and operating low-income housing. As a general partner in the partnerships, the Organization is contingently liable for the obligations of the partnerships. Pursuant to the terms of the partnership agreements, the limited partners are responsible only for initial capital contributions. As a result, the Organization may be required to arrange for additional funds related to the development or operating needs of the entities. Both partnerships have properties under development. No contributions were required to be made during 2018 and 2017 and the Organization’s investment in these limited partnerships is zero as of December 31, 2018.

8. NOTES PAYABLE

As of December 31,	2018	2017
LAFH:		
Note payable to Corporation for Supportive Housing (CSH) for the predevelopment costs of one of the joint ventures in the amount up to $500,000, unsecured, due the earlier of closing of construction financing or February 15, 2020, accrues at a simple interest rate of 6%.	$ 300,000	$ -
Note payable to CSH for the predevelopment costs of Residence on Main, L.P in the amount up to $1,000,000, unsecured, due the earlier of closing of construction financing or March 1, 2020, accrues at a simple interest rate of 6%. The loan was paid off in April 2019 during closing of construction financing.	500,000	-
Note payable to Local Initiative Support Corporation (LISC) for the predevelopment costs of one of the joint ventures, unsecured, maximum borrowings of $500,000, due the earlier of closing of construction financing or February 2020, accrues at a simple interest rate of 5%.	175,046	-
Notes payable to Nonprofit Finance Fund (NFF), original borrowings up to $2,100,000 (Note A) and $6,250,000 (Note B) secured by the Hyde Park property, annual interest at 6.25%. Principal and interest payments of $37,646, payable quarterly for Note A; interest only payments, payable quarterly, for Note B. The outstanding balances are due April 15, 2023.	3,734,226	5,598,233
Note payable to Audrey and Sydney Irmas Charitable Foundation, unsecured, bearing no interest, due on demand.	26,000	26,000

As of December 31,	2018	2017
Line-of-credit with Century Housing, original borrowings up to $500,000, interest payable monthly on outstanding balance annually at 6%. Available borrowings of $317,160 and $363,935 at December 31, 2018 and 2017, respectively. The outstanding balance was due May 18, 2018, which was extended to May 18, 2019. In April 2019, the outstanding balance was paid off and the maturity date was extended to May 18, 2020.	182,840	136,065
Note payable to Mississippi Valley Company in the amount of $1,000,000, by the Federal Home Loan Bank Affordable Housing Program (FHLB AHP) pursuant to the Regulations governing the FHLB AHP, secured by a deed of trust bearing no interest, maturity date of March 2072, subject to acceleration and interest if the Project does not remain affordable within the AHP program regulations.	1,000,000	1,000,000
Note payable to LISC for ROM predevelopment expenses, unsecured, maximum borrowings of $500,000, due the earlier of closing of construction financing or December 1, 2019, accrues at a simple interest rate of 5%. The loan was paid off in April 2019 during closing of construction financing.	469,396	71,152
Comunidad Cesar Chavez:		
Triangle House:		
Note payable to U.S. Bank, N.A., original borrowings up to $250,000, interest at 6%. Principal and interest payments of $1,625 are due monthly. Loan is secured by deed of trust. All unpaid principal and interest are due March 2018. The loan was repaid in 2018.	-	146,029
Note payable to Clearinghouse Community Development Financial Institution in the amount of $145,000, interest at 6.5%. Principal and interest payments of $1,089 are due monthly. Loan is secured by deed of trust. All unpaid principal and interest are due August 2038. The proceeds of the loan were used to pay-off the U.S. Bank note above.	143,938	-
Chernow House:		
Note payable to the Los Angeles Housing Community Investment Department (HCIDLA, CRA/LA), secured by deed of trust on property, payable from residual receipts, as defined, simple interest rate of 3%, and all unpaid principal and interest are due November 2018. Unpaid interest converts to principal annually.	810,520	786,975

As of December 31,	2018	2017
Gentry Village:		
Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, payable from residual receipts, as defined, simple interest rate of 3%, all unpaid principal and interest due June 2039.	457,113	457,113
Martin Luther King, Jr. (MLK):		
Note payable to HCIDLA (CRA/LA) secured by deed of trust on property; payable from residual receipts, as defined, accrues at a simple interest rate of 3%, all unpaid principal and interest due June 2039 or upon sale, transfer, assignment, or refinancing of property.	772,060	772,060
Strong House:		
Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, due July 2022; payable from residual receipts, as defined, accrues at a simple interest rate of 3%.	999,711	999,711
Casa Figueroa:		
Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, due June 2039; payable from residual receipts, as defined, accrues at a simple interest rate of 3%.	289,044	289,044
Klump:		
Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, due February 2058; payable from residual receipts, as defined, accrues at a simple interest rate of 3%.	875,000	875,000
Note payable to HCIDLA, secured by a second deed of trust on the land and building; payable from available residual receipts, as defined, accrues at a simple interest of 5%; unpaid principal and interest due in March 2064.	159,425	159,425
Note payable CSH, unsecured, due July 1, 2020, accrues at a simple interest rate of 2.7%.	35,073	57,762
Hyde Park:		
Note payable to Clearinghouse CDFI, secured by deed of trust on property, maturing January 2018, payable in monthly installments of $2,196; principal and interest accrues at 7%. In May 2018, the loan amount was increased to $330,000, interest was reduced to 6.5% and maturity date was extended to May 2038.	324,418	245,033

As of December 31,	2018	2017
Delano I:		
Note payable to the HCIDLA, secured by deed of trust on property, due February 2025, bearing no interest, monthly principal payments of $972.	70,847	82,513
Delano II:		
Note payable to the HCIDLA, secured by deed of trust on property, due January 2025, bearing no interest, monthly principal payments of $972.	70,001	81,667
Total notes payable – LAFH	11,394,658	11,783,782
Casa Central:		
Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, due July 2039; payable from residual receipts, as defined, accrues at a simple interest rate of 3%.	843,746	843,746
Harmony Place:		
Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, due November 2022; payable from residual receipts, as defined, accrues at a simple interest rate of 3%.	1,591,000	1,591,000
Note payable to Manufacturers Bank, secured by deed of trust on property, maturing in September 2023, payable in monthly installments of principal and interest of $4,866, interest rate of 6.63%.	198,526	241,171
Total notes payable – Harmony Place	1,789,526	1,832,171
Cochran Villa:		
Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, interest payable from residual receipts, as defined, principal and unpaid interest due February 2020, accrues at a simple interest rate of 3%.	85,601	85,601
Note payable to the Century Housing Corporation, secured by deed of trust on property, interest payable from surplus cash, as defined, principal and unpaid interest due February 2022, accrues at a simple interest rate of 3%.	500,000	500,000
Note payable to the California Department of Housing and Community Development (HCD), secured by deed of trust on property, interest payable from surplus cash, as defined, principal and unpaid interest due February 2048, accrues at a simple interest rate of 3%.	538,538	538,538
Total notes payable – Cochran Villa	1,124,139	1,124,139

As of December 31,	2018	2017
LAFH Phase I QALICB, Inc.:		
Two notes payable to LCD XIX in the amounts of $7,998,600 (Note A) and $3,521,400 (Note B), secured by deed of trust on real property, bearing interest of 1% per annum, annual interest only payments for 7 years on Notes A and B of $79,998 and $35,214, respectively, followed by principal and interest payments of $339,505 and $149,468, respectively, maturing in December 2049.	11,520,000	11,520,000
LAFH Phase II QALICB, Inc.:		
Three notes payable to LCD XXI in the amounts of $2,100,000 (Note A), $10,381,149 (Note B) and $5,494,851 (Note C), secured by deeds of trust on real property, bearing interest of .845% per annum, quarterly interest only payments for 7 years on Notes A, B and C of $17,745, $87,721, and $46,431, respectively. In April 2023, Note A balloons, and Notes B and C will require quarterly principal and interest payments of $416,733 and $220,581, respectively, maturing in December 2051.	17,976,000	17,976,000
Vineland Place:		
Note payable to Berkadia Commercial Mortgage, secured by deed of trust on the property; original principal of $250,000; interest at 5.71% through March 1, 2021; monthly payments of principal and interest of $1,786 based on a 15 year amortization of the original note balance, adjusted thereafter on March 1, 2021; unpaid principal and interest due in March 2026.	111,821	123,930
Note payable to HCIDLA, secured by deed of trust on the property; accrues at a simple interest of 6% per annum; payable from available residual receipts, as defined; unpaid principal and interest due in February 2036.	900,000	900,000
Note payable to HCIDLA, secured by deed of trust on the property; accrues at a simple interest of 5% per annum; payable from available residual receipts, as defined; unpaid principal and interest due in April 2056.	330,440	330,440
Total notes payable – Vineland Place	1,342,261	1,354,370
Glenoaks Gardens:		
Note payable to HCD, secured by a deed of trust on real property and assignment of rents, in the original amount of $5,582,916, with simple interest of 3% payable from residual receipts, as defined, unpaid principal and interest due in 55 years (November 2067); annual payments totaling $23,448 (.42% of unpaid principal balance) are required for 30 years.	5,582,916	5,582,916

As of December 31,	2018	2017
Note payable to California Housing Finance Agency (CalHFA) under the Mental Health Services Act (CalHFA-MHSA) Housing Program, secured by a deed of trust on Glenoaks Gardens, with maximum borrowings of $4,500,000, with simple interest of 3% payable from residual receipts, as defined, all unpaid principal and interest and are due in 55 years (July 2065); annual MHSA Asset Management Fee totaling $18,900 (.42% of unpaid principal balance).	4,308,523	4,308,523
Note payable to HCIDLA, secured by a deed of trust, with maximum borrowings of $2,223,673, with simple interest of 3% payable from residual receipts, as defined, all unpaid principal and interest are due July 2065.	2,111,903	2,111,903
Note payable to TCAC under the American and Reinvestment Act of 2009 through the Tax Credit Assistance Program (TCAC-TCAP), secured by a deed of trust, Assignment of Rents and Security Agreement and Fixture Filing on Glenoaks Gardens, with maximum borrowings of $5,137,130, bearing no interest, non-amortizing with principal due August 2065.	5,137,130	5,137,130
Total notes payable – Glenoaks Gardens	17,140,472	17,140,472
Alabama Court:		
Note payable to the Bank of America Community Development Bank (BACDB 1), secured by deed of trust; interest at the bank's reference rate plus 1% (4.42% at December 31, 2018), maximum borrowing up to $370,000, interest and principal payable in monthly installments of $2,405, and unpaid principal and interest due March 2027.	181,973	199,648
Note payable to HCIDLA, available borrowings up to $834,500, secured by a second trust deed, non-interest bearing, principal payable annually starting April 1998 from available residual receipts, as defined in the loan agreement, and due July 2025.	725,680	740,436
Note payable to HCIDLA, available borrowings up to $635,500, secured by a third trust deed, non-interest bearing, principal payable annually starting April 1998 from available residual receipts, as defined in the loan agreement, and due July 2025.	552,101	563,327
Note payable to Bank of America Community Development Bank (BACDB 2), secured by a deed of trust, non-interest bearing, principal due September 2050.	102,500	102,500
Total notes payable – Alabama Court	1,562,254	1,605,911

As of December 31,	2018	2017
Vanowen Gardens:		
Note payable to HCIDLA, maximum borrowings up to $880,000, secured by deed of trust, accrues at a simple interest of 5% per annum, principal and interest payable annually from available residual receipts, as defined in the note payable agreement, unpaid principal and interest due on August 21, 2036.	876,369	876,369
Harmony Gardens:		
Note payable to HCIDLA, maximum borrowings up to $837,944, secured by deed of trust, accrues at a simple interest of 5%, principal and interest payable annually from available residual receipts, as defined in the note payable agreement, unpaid principal and interest due on August 26, 2036.	837,018	837,018
Victory:		
Note payable to First Republic Bank, secured by deed of trust, non-interest bearing, principal due December 2040.	65,483	65,483
Note payable to the HCIDLA, secured by deed of trust, simple interest at 6% per annum, interest payable from residual receipts, as defined, unpaid principal and interest due November 2040.	293,362	293,362
Note payable to the HCIDLA, secured by deed of trust, simple interest of 6% per annum, interest payable from residual receipts, as defined, unpaid principal and interest due November 2040.	471,000	471,000
Total notes payable – Victory	829,845	829,845
Controlled Limited Partnerships:		
Day Street (The Louis):		
Five non-amortizing notes payable to various lenders, secured by deeds of trust on real property, interest ranging from zero to 5% per annum, payable based on residual receipts, as defined, until all amounts have been paid in full, maturity dates ranging from September 2067 to May 2070.	5,976,440	5,976,440
ROM:		
Note payable to CSH for ROM predevelopment expenses, unsecured, due the earlier of closing of construction financing or September 29, 2019, accrues at a simple interest rate of 6%. The loan was paid off in April 2019 during closing of construction financing.	695,089	597,122

As of December 31,	2018	2017
PSH (The Fiesta):		
Construction loan payable to US Bank N.A., secured by deed of trust, maximum borrowings of $11,734,176, interest based on LIBOR plus 250 basis points, matures earlier of(i) closing of permanent financing, or ii) April 12, 2018 with an option to extend. The loan was extended to October 12, 2018 and was paid off in March 2019 using the development reserves and proceeds from investor capital contributions.	9,372,020	7,756,445
Four non-amortizing notes payable to various lenders, secured by deeds of trust on real property, interest ranging from zero to 5% per annum, payable based on residual receipts, as defined, until all amounts have been paid in full, maturity dates ranging from December 2071 to April 2073 (Note 11).	5,208,620	5,141,825
Saticoy:		
Amortizing note payable to JP Morgan, secured by deed of trust on real property, bearing interest of 5.6% per annum, principal and interest due January 2037.	860,483	887,255
Three non-amortizing notes payable to various lenders, secured by deeds of trust on real property, interest ranging from zero to 3% per annum, payable based on residual receipts, as defined, until all amounts have been paid in full, maturity dates ranging from February 2022 to December 2061.	3,506,516	3,507,862
Total notes payable – Controlled Limited Partnerships	25,619,168	23,866,949
Total notes payable	92,855,456	91,590,772
Less: current portion	(10,905,525)	(9,282,859)
Less: unamortized debt issuance costs	(1,393,566)	(1,458,586)
	$ 80,556,365	$ 80,849,327

The aggregate amounts of principal maturities for outstanding borrowings as of December 31, 2018 are:

Year Ending December 31,	Amortizing	Non-Amortizing	Total
2019	$ 253,589	$ 10,651,936	$ 10,905,525
2020	278,135	1,060,648	1,338,783
2021	302,964	-	302,964
2022	340,503	3,090,711	3,431,214
2023	174,092	-	174,092
Thereafter	19,371,088	57,331,790	76,702,878
Total	$ 20,720,371	$ 72,135,085	$ 92,855,456

Included in current maturities as of December 31, 2018 and 2017 is predevelopment and construction debt totaling $9,841,416 and $7,756,445 respectively, that has committed sources of repayment including proceeds from permanent long term debt and or limited partner investor equity.

Accrued Interest An analysis of accrued interest for 2018 on the notes payable by project is as follows:

	Accrued Interest 1/1/18	Interest Expense	Interest Capitalized	Interest Paid/ Transfers	Accrued Interest 12/31/18
Amortizing Principal Loans					
Campus	$ -	$ -	$ -	$ -	$ -
LAFH NFF	1,621	264,559	-	(266,180)	-
Comunidad Cesar Chavez	838	1,403	-	(2,241)	-
Gentry North	-	-	-	-	-
Klump	-	1,208	-	(1,208)	-
Hyde Park	2,278	18,711	-	(19,770)	1,219
Harmony Place	428	14,752	-	(14,739)	441
Phase I	-	115,200	-	(115,200)	-
Phase II	-	-	151,897	(151,897)	-
Vineland Place	1,488	6,763	-	(5,565)	2,686
Alabama Court	2,984	7,734	-	(8,470)	2,248
Controlled Limited Partnerships	7,226	49,015	57,067	(103,739)	9,569
	16,863	479,345	208,964	(689,009)	16,163
Residual Receipts Loans					
Comunidad Cesar Chavez	23,544	24,466	-	(23,544)	24,466
Gentry Village	221,768	12,963	-	-	234,731
MLK	188,990	23,162	-	-	212,152
Strong House	758,085	29,991	-	-	788,076
Casa Figueroa	162,933	5,058	-	-	167,991
Klump	424,143	34,221	-	-	458,364
Casa Central	214,642	25,930	-	-	240,572
Harmony Place	1,257,190	48,675	-	-	1,305,865
Cochran Villa	872,379	33,724	-	(2,676)	903,427
Century Housing	-	11,223	-	(10,146)	1,077
Vineland Place	1,317,947	70,522	-	(2,034)	1,386,435
Glenoaks Gardens	1,690,195	360,123	-	(36,695)	2,013,623
Vanowen Gardens	907,931	43,824	-	(296)	951,459
Harmony Gardens	799,181	41,856	-	(3,408)	837,629
Victory	745,154	45,864	-	(607)	790,411
Controlled Limited Partnerships	1,985,211	727,439	152,741	(455,201)	2,410,190
	11,569,293	1,539,041	152,741	(534,607)	12,726,468
	$ 11,586,156	2,018,386	361,705	$ (1,223,616)	$ 12,742,631
Amortization of debt issuance costs		33,000	40,430		
Total		$ 2,051,386	$ 402,135		

An analysis of accrued interest for 2017 on the notes payable by project is as follows:

	Accrued Interest 1/1/17	Interest Expense	Interest Capitalized	Interest Paid/ Transfers	Accrued Interest 12/31/17
Amortizing Principal Loans					
Campus	$ 1,076	$ 2,995	$ -	$ (4,071)	$ -
LAFH NFF	5,564	240,493	-	(244,436)	1,621
Comunidad Cesar Chavez	839	9,282	-	(9,283)	838
Gentry North	-	-	-	-	-
Klump	-	1,908	-	(1,908)	-
Hyde Park	-	19,932	-	(17,654)	2,278
Harmony Place	164	17,541	-	(17,277)	428
Phase I	-	115,200	-	(115,200)	-
Phase II	-	-	151,897	(151,897)	-
Vineland Place	2,132	6,789	-	(7,433)	1,488
Alabama Court	3,432	10,319	-	(10,767)	2,984
Controlled Limited Partnerships	4,100	50,511	9,307	(56,692)	7,226
	17,307	474,970	161,204	(636,618)	16,863
Residual Receipts Loans					
Comunidad Cesar Chavez	22,860	23,545	-	(22,861)	23,544
Gentry Village	208,055	13,713	-	-	221,768
MLK	165,828	23,162	-	-	188,990
Strong House	732,497	29,991	-	(4,403)	758,085
Casa Figueroa	154,262	8,671	-	-	162,933
Klump	389,922	34,221	-	-	424,143
Casa Central	189,239	25,403	-	-	214,642
Harmony Place	1,213,437	43,753	-	-	1,257,190
Cochran Villa	838,654	33,725	-	-	872,379
Century Housing	-	4,538	-	(4,538)	-
Vineland Place	1,248,716	70,522	-	(1,291)	1,317,947
Glenoaks Gardens	1,360,720	360,123	-	(30,648)	1,690,195
Vanowen Gardens	866,159	43,824	-	(2,052)	907,931
Harmony Gardens	766,106	41,856	-	(8,781)	799,181
Victory	699,357	45,864	-	(67)	745,154
Controlled Limited Partnerships	1,567,591	242,854	279,190	(104,424)	1,985,211
	10,423,403	1,045,765	279,190	(179,065)	11,569,293
	$ 10,440,710	1,520,735	440,394	$ (815,683)	$ 11,586,156
Amortization of debt issuance costs		33,000	112,487		
Total		$ 1,553,735	$ 552,881		

9. RELATED PARTY TRANSACTIONS

Note Payable One member of the board of directors of the Organization also serves as a trustee of the Sydney and Audrey Irmas Charitable Foundation, which holds a promissory note totaling $26,000 (Note 8) as of December 31, 2018 and 2017.

Contributions In 2014, LAFH launched the capital campaign for the South and North Campus and secured multi-year pledges from members of the board of directors. Each pledge is memorialized in a Gift Agreement signed by the donor and outlines payment plans during the 4-5 year terms of the pledge. Payments by board members against total Campus campaign pledges in 2018 and 2017 were $730,167 and $288,250, respectively, leaving a balance of $1,541,915 and $272,082 as of December 31, 2018 and 2017.

Partnership and Development Fees The Organization charges partnership and development fees to its affiliated organizations and controlled limited partnerships, which are eliminated in consolidation.

Master Leases LAFH subleases space from related parties under master lease agreements. The rental revenue and expense associated with the master office leases have been eliminated in consolidation.

Reciprocal Easement Agreement PSH Campus and Phase II entered into a Reciprocal Easement Agreement (REA) in connection with a shared subterranean garage located at North Campus. The REA establishes certain covenants, conditions and use restrictions with respect to the parking, residential and commercial parcels.

10. COMMITMENTS AND CONTINGENCIES

Operating Leases The Organization leases office space and equipment under non-cancelable operating lease agreements that expire through 2023. Future minimum lease payments are as follows:

Year Ending December 31,		Amount
2019	$	487,599
2020		453,787
2021		422,226
2022		259,819
2023		147,581
Total	$	1,771,012

In addition, the Organization is obligated under ground leases for the following properties to HCIDLA (CRA/LA):

- MLK – initial term of 50 years expiring in 2040 with a 49-year option to renew.
- Strong House – initial term of 55 years expiring in 2045 with a 44-year option to renew.
- Gentry Village – term of 30 years expiring in 2019.
- Harmony Gardens – initial term of 55 years expiring in 2051 with a 44-year option to renew

Lease payments for the MLK, Strong House and Gentry Village facilities are to equal 50% of net cash flows from operations of the facilities, as defined. Lease payment for the Harmony Gardens facility is to equal 10% of net cash flows from operations of the facility, as defined. For the years ended December 31, 2018 and 2017, the properties did not generate net cash flow and accordingly, there was no ground lease expense. As of December 31, 2018, the Organization did not have any future long-term minimum non-cancellable lease commitments related to these leased properties.

Lease expense for operating leases was $585,280 and $146,469, for the years ended December 31, 2018 and 2017, respectively and is included in rent expense.

Guarantees The Organization has entered into various agreements with certain limited partnerships or their affiliated general partners whereby the Organization guarantees to loan funds to the partnerships in the event that the partnerships incur operating deficits, as defined in the respective partnership agreements, or fail to meet their current financial obligations. These agreements expire at various times from 2018 through the terms of the underlying partnership or debt agreements. Loans made pursuant to these guarantees are generally interest-free and unsecured. The maximum potential amount of future payments under these guarantees is equal to the amount guaranteed to the partnerships under the tax indemnification agreements discussed below.

The Organization entered into various agreements with certain limited partnerships and LLCs or their affiliated general partners or members whereby the Organization offers tax indemnification in the event of low-income housing tax credit recapture. The Organization’s potential liability under these agreements is dependent upon IRS audits and final letters of determination of the limited partnership’s qualified basis in tax credit properties. Similarly, the Organization has entered into agreements with state and local governments who have provided loans to certain limited partnerships for the development of affordable housing whereby the Organization has guaranteed any recapture of the loans resulting from non-compliance with affordable housing requirements. Management is not aware of any known liability for tax credit or loan recapture.

As part of the financing arrangements with the LCD Investment Funds and the investor member, LAFH and Phase I and Phase II have provided certain guarantees regarding loan repayment, construction completion, and environmental indemnification, as defined in the respective financing agreements, including tax credit guarantees against the recapture of the NMTC arising from failure to comply with the Internal Revenue Code (IRC) and Treasury regulations related to the NMTC program. The tax credit recapture guarantee is up to the full amount of any recapture and/or lost credits, including penalties.

The Organization is a party in note agreements between the City of Los Angeles and Saticoy Partners in which the Organization is a conduit for proceeds directly loaned to Saticoy Partners in the amount of $2,003,000 (City Loan), to support the acquisition, predevelopment, construction and permanent costs of Saticoy Partners. The City Loan is secured by the Saticoy Partners’ assets; however, the Organization remains obligated to repay the debt in the event Saticoy Partners is unable to meet its obligation. As of December 31, 2018, there was no default related to this loan. The City Loan is due December 2043.

The Organization is a party in note agreements between the Mississippi Valley Company and PSH Campus in which the Organization is a conduit for proceeds directly loaned to PSH Campus in the amount of $1,000,000 (AHP Loan), to support the acquisition, predevelopment, construction and permanent costs of PSH Campus. The AHP Loan is secured by the PSH Campus’ assets; however, the Organization remains obligated to repay the debt in the event PSH Campus is unable to meet its obligation. As of December 31, 2018, there was no default related to this loan. The AHP Loan is due January 2072.

Litigation The Organization is subject to lawsuits and claims that arise out of the normal course of its activities. Management believes the disposition of any and all such actions of which it is aware will not have a material effect on the Organization's financial position or changes in the net assets of the Organization.

11. RETIREMENT PLAN

The Organization participates in a 403(b) plan (the Plan) which covers employees meeting certain qualifications. Under the terms of the Plan, employees are allowed to contribute up to the maximum allowed. The Organization may make discretionary contributions to the Plan based on a percentage of the eligible employees' salaries. Effective 2017, the Organization makes up to a 1% match contribution to qualified employees. The Organization made $35,145 and $41,163 in contributions to the Plan for the year ended December 31, 2018 and 2017, respectively.

12. CONSTRUCTION IN PROGESS AND DEVELOPMENT COSTS

During 2016, the Organization began Phase II of its campus development with the acquisition, demolition, and new construction of the North Campus at 7843 Lankershim Blvd. This property (formerly known as Valley Shelter) will be developed into four primary uses: new permanent supportive housing, a new health care clinic, a comprehensive regional service center, and LAFH's corporate and administrative offices. Construction of the residential property providing permanent supportive housing (PSH Campus) was completed in 2017, and construction of the commercial property was completed in 2019.

Residences on Main, L.P., a joint venture with Coalition for Responsible Community Development, a California nonprofit public benefit corporation, was formed to develop and operate 50 affordable rental housing units for low-income persons in Los Angeles, California. During 2017, ROM acquired land located at 6917 South Main Street. Construction commenced in 2018 and is expected to be completed by 2020.

13. NET ASSETS

Consolidated Net Assets The following is a summary of consolidated net asset balances of the Organization as of December 31, 2018 and 2017:

	Without Donor Restriction		With Donor	
	Controlling	Noncontrolling	Restriction	Total
Net assets (deficit), January 1, 2018	$ 1,513,673	$ 6,990,198	$ 2,138,314	$ 10,642,185
Change in net assets (deficit)	4,403,765	(1,352,654)	5,115,506	8,166,617
Release from restrictions	4,041,560	-	(4,041,560)	-
Contributions	-	1,335,709	-	1,335,709
Net assets (deficit), December 31, 2018	$ 9,958,998	$ 6,973,253	$ 3,212,260	$ 20,144,511

	Without Donor Restriction		With Donor	
	Controlling	Noncontrolling	Restriction	Total
Net assets (deficit), January 1, 2017	$ (390,717)	$ 7,870,717	$ 1,980,899	$ 9,460,899
Change in net assets (deficit)	(15)	(845,519)	2,061,820	1,216,286
Release from restrictions	1,904,405	-	(1,904,405)	-
Syndication costs	-	(35,000)	-	(35,000)
Net assets (deficit), December 31, 2017	$ 1,513,673	$ 6,990,198	$ 2,138,314	$ 10,642,185

Net Assets with Donor Restrictions The net assets with donor restrictions consist of the following:

	Balance at 1/1/18	Contributions	Released from Restrictions	Balance 12/31/18
Subject to passage of time				
North Campus	$ 1,316,990	$ 4,765,506	$ (2,957,736)	$ 3,124,760
Subject to expenditure for special use				
Homeless Services	821,324	350,000	(1,083,824)	87,500
Total	$ 2,138,314	$ 5,115,506	$ (4,041,560)	$ 3,212,260

14. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events that have occurred through the independent auditor’s report date, which is the date that the consolidated financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements, except as disclosed in Note 1, 8, 12, and below.

The Organization entered into the following transactions during 2019:

The Angel 2018 LLC and The Angel 2018, L.P. were formed to construct and operate affordable rental housing for low-income persons in Los Angeles, California.

Construction financing related to ROM from JPMorgan Chase Bank, HCIDLA, LA County CDC and City National bank totaling $25,530,472 closed on April 4, 2019. In addition, the partnership agreement was amended to admit an unrelated party as investor limited partner with a 99.99% interest.

SUPPLEMENTARY INFORMATION

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018

	L.A. Family Housing Corporation									
	LAFH	Gentry Village	Martin Luther King, Jr.	Strong House	Gentry North	Casa Figueroa	Hyde Park	Klump	Delano I	Delano II
Assets										
Current assets										
Cash and cash equivalents	$ 1,492,622	$ -	$ -	$ -	$ -	$ -	$ 400	$ -	$ 100	$ 100
Investments	7,093,672	-	-	-	-	-	-	-	-	-
Contributions receivable	1,389,305	-	-	-	-	-	-	-	-	-
Contracts receivable	7,965,774	-	-	-	-	-	-	-	-	-
Receivables - rental	(2,490)	-	(8,418)	8,295	1,465	2,810	16,448	17,091	5,932	1,842
Prepaid expenses and other assets	498,868	2,553	3,914	3,435	1,674	2,166	11,808	6,790	3,993	3,823
Tenant security deposits and client trust accounts	55,048	2,814	6,032	6,873	8,032	5,257	14,724	15,222	13,549	8,444
Total current assets	18,492,799	5,367	1,528	18,603	11,171	10,233	43,380	39,103	23,574	14,209
Restricted property reserves	-	19,041	25,420	85,963	-	88,454	-	49,898	-	-
Restricted cash, net of current portion	712,465	-	-	-	-	-	-	-	-	-
Property and equipment, at cost										
Land	2,252,675	-	-	-	150,394	59,663	49,500	115,250	65,000	65,000
Buildings and building improvements	2,248,180	282,398	720,514	1,099,933	347,502	317,030	387,422	1,963,424	397,550	368,597
Furniture and equipment	670,158	7,196	10,191	4,835	9,344	4,134	56,353	7,526	3,760	3,706
Automobiles	354,455	-	-	-	-	-	-	-	-	-
Construction in progress and development costs (Note 10)	573,576	-	-	-	-	-	-	-	-	-
Total property and equipment, at cost	6,099,044	289,594	730,705	1,104,768	507,240	380,827	493,275	2,086,200	466,310	437,303
Less: accumulated depreciation	(2,170,134)	(235,229)	(548,632)	(779,513)	(269,145)	(253,818)	(181,761)	(420,904)	(233,246)	(201,529)
Property and equipment, net	3,928,910	54,365	182,073	325,255	238,095	127,009	311,514	1,665,296	233,064	235,774
Notes receivable	23,441,475	-	-	-	-	-	-	-	-	-
Contributions receivable, net of current portion	1,273,076	-	-	-	-	-	-	-	-	-
Due from affiliates	5,363,946	-	-	-	-	-	-	-	-	-
Total assets	$ 53,212,671	$ 78,773	$ 209,021	$ 429,821	$ 249,266	$ 225,696	$ 354,894	$ 1,754,297	$ 256,638	$ 249,983

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018

	L.A. Family Housing Corporation									
	LAFH	**Gentry Village**	**Martin Luther King, Jr.**	**Strong House**	**Gentry North**	**Casa Figueroa**	**Hyde Park**	**Klump**	**Delano I**	**Delano II**
Liabilities and Net Assets (Deficit)										
Current liabilities										
Accounts payable and accrued expenses	$ 2,075,903	$ 3,364	$ 5,370	$ 3,729	$ 2,534	$ 2,260	$ 30,242	$ 10,174	$ 6,027	$ 4,741
Accrued payroll	695,713	-	-	-	-	-	-	-	-	-
Current portion of notes payable	1,429,046	-	-	-	-	-	-	-	972	972
Current portion of accrued interest payable	-	-	-	-	-	-	1,219	-	-	-
Deferred revenues	5,851,949	2	841	(60)	2,943	102	606	467	421	220
Tenant deposit liabilities	30,472	2,814	6,032	5,732	6,232	3,623	25,443	13,994	12,740	5,917
Deferred rent liability	1,122,003	-	-	-	-	-	-	-	-	-
Due to/from affiliates	(876,838)	67,700	140,262	75,477	249,220	115,028	(570,649)	1,059,224	60,395	(26,613)
Deficiency in partnership investments	1,160,386	-	-	-	-	-	-	-	-	-
Total current liabilities	11,488,634	73,880	152,505	84,878	260,929	121,013	(513,139)	1,083,859	80,555	(14,763)
Notes payable secured by real estate, net of unamortized debt issuance costs	7,819,159	457,113	772,060	999,711	-	289,044	324,418	1,069,498	69,875	69,029
Accrued interest payable	25,543	234,731	212,152	788,076	-	167,991	-	458,364	-	-
Total liabilities	19,333,336	765,724	1,136,717	1,872,665	260,929	578,048	(188,721)	2,611,721	150,430	54,266
Total net assets (deficit)	33,879,335	(686,951)	(927,696)	(1,442,844)	(11,663)	(352,352)	543,615	(857,424)	106,208	195,717
Total liabilities and net assets (deficit)	$ 53,212,671	$ 78,773	$ 209,021	$ 429,821	$ 249,266	$ 225,696	$ 354,894	$ 1,754,297	$ 256,638	$ 249,983

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018

	Incorporated Affiliated Organizations					LAFH, LLC									
	Casa Central	**Cochran Villa**	**Harmony Place**	**Phase I**	**Phase II**	**Glenoaks Gardens**	**Vineland Place**	**Alabama Court**	**Harmony Gardens**	**Vanowen Gardens**	**Victory Partners**	**Controlled Limited Partnerships**	**Consolidated Total Before Eliminations**	**Eliminations**	**Adjusted Consolidated Total**
Assets															
Current assets															
Cash and cash equivalents	$ -	$ 5,872	$ 29,511	$ 10,953	$ 71,136	$ 211,531	$ 11,742	$ 118,351	$ 6,567	$ 6,536	$ 59,610	$ 551,220	$ 2,576,251	$ -	$ 2,576,251
Investments	-	-	-	-	-	-	-	-	-	-	-	-	7,093,672	-	7,093,672
Contributions receivable due within one year	-	-	-	-	-	-	-	-	-	-	-	-	1,389,305	-	1,389,305
Contracts receivable due within one year	-	-	-	-	-	-	-	-	-	-	-	-	7,965,774	-	7,965,774
Other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables - rental	(12,062)	2,738	(3,381)	-	-	10,959	8,220	14,083	2,953	5,595	2,131	17,873	92,084	-	92,084
Prepaid expenses and other assets	25	42	76	-	470,430	1,205	53	874	870	57	63	121,340	1,134,059	(397,500)	736,559
Current portion of restricted cash	-	-	-	78,127	94,889	-	-	-	-	-	-	-	173,016	-	173,016
Tenant security deposits and client trust accounts	-	11,484	-	-	-	55,399	18,173	39,984	12,050	16,386	14,419	127,462	431,352	-	431,352
Restricted property reserves	15,360	114,491	164	-	-	933,096	196,658	497,587	170,500	234,531	67,483	967,261	3,465,907	-	3,465,907
Restricted cash, net of current portion	-	-	-	242,386	3,027,144	-	-	8,678	-	-	-	569,884	4,560,557	95,445	4,656,002
Deferred rent receivable	-	-	-	860,175	261,828	-	-	-	-	-	-	-	1,122,003	(1,122,003)	-
Property and equipment, at cost															
Land	101,202	208,573	600,000	510,000	1,416,934	3,345,398	280,291	349,323	-	236,775	263,040	6,434,214	16,503,232	-	16,503,232
Buildings and building improvements	421,402	907,452	1,797,402	7,417,083	4,758,313	12,642,196	2,430,753	3,652,232	2,024,085	2,026,090	2,461,544	33,634,816	82,305,918	(3,164,422)	79,141,496
Furniture and equipment	38,112	3,185	37,221	64,239	-	289,379	18,728	98,801	57,046	78,269	63,126	359,646	1,884,955	-	1,884,955
Automobiles	-	7,836	-	-	-	-	17,400	17,400	17,400	17,400	16,900	-	448,791	-	448,791
Construction in progress and development costs (Note 10)	-	-	-	-	6,827,745	-	-	-	-	-	39,900	1,033,571	8,474,792	-	8,474,792
Total property and equipment, at cost	560,716	1,127,046	2,434,623	7,991,322	13,002,992	16,276,973	2,747,172	4,117,756	2,098,531	2,358,534	2,844,510	41,462,247	109,617,688	(3,164,422)	106,453,266
Less: accumulated depreciation	(392,892)	(670,554)	(1,264,657)	(455,653)	-	(2,603,042)	(1,422,377)	(2,260,686)	(1,202,370)	(1,231,717)	(1,200,562)	(4,262,140)	(22,260,561)	496,310	(21,764,251)
Property and equipment, net	167,824	456,492	1,169,966	7,535,669	13,002,992	13,673,931	1,324,795	1,857,070	896,161	1,126,817	1,643,948	37,200,107	87,357,127	(2,668,112)	84,689,015
Notes receivable	-	-	-	-	-	-	-	-	-	-	-	-	23,441,475	(2,961,726)	20,479,749
Contributions receivable, net of current portion	-	-	-	-	-	-	-	-	-	-	-	-	1,273,076	-	1,273,076
Due from affiliates	-	-	-	-	-	-	-	-	-	-	-	94,861	5,458,807	(4,968,538)	490,269
Deferred costs, net	-	-	-	-	-	-	-	-	-	23	-	101,638	101,661	-	101,661
Total assets	$ 171,147	$ 591,119	$ 1,196,336	$ 8,727,310	$ 16,928,419	$ 14,886,121	$ 1,559,641	$ 2,536,627	$ 1,089,101	$ 1,389,945	$ 1,787,654	$ 39,751,646	$ 147,636,126	$ (12,022,434)	$ 135,613,692

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018

	Incorporated Affiliated Organizations					LAFH, LLC							Consolidated		
	Casa Central	Cochran Villa	Harmony Place	Phase I	Phase II	Glenoaks Gardens	Vineland Place	Alabama Court	Harmony Gardens	Vanowen Gardens	Victory Partners	Controlled Limited Partnerships	Total Before Eliminations	Eliminations	Adjusted Consolidated Total
Liabilities and Net Assets (Deficit)															
Current liabilities															
Accounts payable and accrued expenses	$ 7,922	$ 27,378	$ 17,847	$ 2,625	$ 18,781	$ 21,518	$ 14,716	$ 38,541	$ 7,673	$ 19,032	$ 37,590	$ 226,024	$ 2,583,991	$ (373,272)	$ 2,210,719
Accrued payroll	2	369	20	-	-	6,782	-	4,306	1,191	2,691	1,456	-	712,530	-	712,530
Current portion of notes payable	-	-	42,490	-	-	-	12,739	18,975	-	-	-	9,400,331	10,905,525	-	10,905,525
Current portion of accrued interest payable	-	-	441	-	-	-	2,686	2,248	-	-	-	9,569	16,163	-	16,163
Construction costs payable	-	-	-	-	742,647	-	-	-	-	-	-	1,272,024	2,014,671	-	2,014,671
Deferred revenues	(2)	955	966	-	-	9,436	8,917	-	-	-	-	20,851	5,898,614	-	5,898,614
Tenant deposit liabilities	5,851	11,443	14,940	-	-	55,399	18,120	40,371	13,492	17,215	14,696	123,600	428,126	-	428,126
Deferred rent liability	-	-	-	-	-	-	-	-	-	-	-	-	1,122,003	(1,122,003)	-
Due to/from affiliates	(146,513)	65,722	(106,001)	88,083	94,863	62,856	164,012	26,022	71,560	207,844	305,001	2,777,248	3,903,903	(3,903,903)	-
Deficiency in partnership investments	-	-	-	-	-	-	-	-	-	-	-	-	1,160,386	(1,160,386)	-
Notes payable secured by real estate, net of debt issuance costs	843,746	1,124,139	1,747,036	10,992,371	17,429,566	17,047,068	1,328,488	1,543,279	830,823	874,110	829,845	18,027,109	84,487,487	(3,931,122)	80,556,365
Notes payable and other liabilities related to controlled limited partnerships (Note 7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	240,572	903,427	1,305,865	-	-	2,013,623	1,386,435	-	837,629	951,459	790,411	2,410,190	12,726,468	-	12,726,468
Total liabilities	951,578	2,133,433	3,023,604	11,083,079	18,285,857	19,216,682	2,936,113	1,673,742	1,762,368	2,072,351	1,978,999	34,266,946	125,959,867	(10,490,686)	115,469,181
Total net assets (deficit)	(780,431)	(1,542,314)	(1,827,268)	(2,355,769)	(1,357,438)	(4,330,561)	(1,376,472)	862,885	(673,267)	(682,406)	(191,345)	5,484,700	21,676,259	(1,531,748)	20,144,511
Total liabilities and net assets (deficit)	$ 171,147	$ 591,119	$ 1,196,336	$ 8,727,310	$ 16,928,419	$ 14,886,121	$ 1,559,641	$ 2,536,627	$ 1,089,101	$ 1,389,945	$ 1,787,654	$ 39,751,646	$ 147,636,126	$ (12,022,434)	$ 135,613,692

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

	L.A. Family Housing Corporation									
	LAFH	Gentry Village	Martin Luther King, Jr.	Strong House	Gentry North	Casa Figueroa	Hyde Park	Klump	Delano I	Delano II
Public support and revenues										
Government contracts and grants	$ 29,693,076	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Private contributions (corporate, foundation and individuals)	13,341,219	-	-	-	-	-	-	-	-	-
Contributed goods and services	930,331	-	-	-	-	-	-	-	-	-
Special events revenue	1,920,985	-	-	-	-	-	-	-	-	-
Total public support and revenues	45,885,611	-	-	-	-	-	-	-	-	-
Other revenues										
Management and development fees	141,448	-	-	-	-	-	-	-	-	-
Rental revenues, net	14,730	24,386	49,257	51,466	53,813	29,214	254,827	116,115	94,769	84,994
Other revenues	325,196	17	22	633	339	1,122	2,676	75	800	1,035
Total other revenues	481,374	24,403	49,279	52,099	54,152	30,336	257,503	116,190	95,569	86,029
Total public support and other revenues	46,366,985	24,403	49,279	52,099	54,152	30,336	257,503	116,190	95,569	86,029
Expenses										
Bad debt expense	328,987	-	-	-	250	-	-	-	-	-
Client food and meals	511,790	-	-	-	-	-	-	-	-	-
Client supplies/program expense	11,681,067	-	-	-	-	-	-	-	-	-
Office equipment and supplies	698,415	123	275	102	90	269	548	470	1,110	506
Other operating expenses	2,524,456	578	3,358	1,971	5,034	1,953	11,852	7,650	10,547	6,281
Professional and legal fees	628,355	43	79	79	132	21,039	9,380	1,642	3,289	1,109
Insurance	95,768	1,973	3,178	2,451	1,347	1,801	9,528	4,820	2,777	2,777
Property management and development	-	2,160	5,166	4,242	3,540	2,580	18,179	10,692	6,120	6,120
Property taxes and other fees	106,225	-	-	1,938	440	599	6,725	880	867	708
Rent expense	1,513,007	-	-	-	-	-	-	-	-	-
Repairs and maintenance	539,072	14,628	13,302	13,378	34,326	36,207	119,312	37,267	31,288	25,246
Salaries, taxes, and benefits	15,750,166	901	2,560	1,439	1,226	1,286	7,457	1,260	1,420	1,473
Special events/fundraising	520,233	-	-	-	-	-	-	-	-	-
Utilities	445,410	12,309	19,221	9,538	9,752	10,431	36,331	21,802	37,067	23,995
Vehicle expenses	165,072	-	-	-	-	-	-	-	-	-
Loss on equity in partnership interests	166,328	-	-	-	-	-	-	-	-	-
Contribution expense	229,176	-	-	-	-	-	-	-	-	-
Total before financial expenses	35,903,527	32,715	47,139	35,138	56,137	76,165	219,312	86,483	94,485	68,215

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

	L.A. Family Housing Corporation									
	LAFH	Gentry Village	Martin Luther King, Jr.	Strong House	Gentry North	Casa Figueroa	Hyde Park	Klump	Delano I	Delano II
Total before financial expenses	$ 35,903,527	$ 32,715	$ 47,139	$ 35,138	$ 56,137	$ 76,165	$ 219,312	$ 86,483	$ 94,485	$ 68,215
Interest expense	300,427	13,713	23,162	29,991	-	5,058	19,187	35,429	-	-
Total before depreciation and amortization	36,203,954	46,428	70,301	65,129	56,137	81,223	238,499	121,912	94,485	68,215
Depreciation and amortization	116,620	6,920	18,013	28,477	8,758	7,877	14,871	32,728	9,953	7,672
Total expenses	36,320,574	53,348	88,314	93,606	64,895	89,100	253,370	154,640	104,438	75,887
Change in net assets (deficit)	10,046,411	(28,945)	(39,035)	(41,507)	(10,743)	(58,764)	4,133	(38,450)	(8,869)	10,142
Net assets (deficit) at December 31, 2017	25,612,181	(658,006)	(888,661)	(1,401,337)	(920)	(293,588)	539,482	(818,974)	115,077	185,575
Transfer	(1,779,257)	-	-	-	-	-	-	-	-	-
Syndication	-	-	-	-	-	-	-	-	-	-
Contribution	-	-	-	-	-	-	-	-	-	-
Net assets (deficit) at December 31, 2018	$ 33,879,335	$ (686,951)	$ (927,696)	$ (1,442,844)	$ (11,663)	$ (352,352)	$ 543,615	$ (857,424)	$ 106,208	$ 195,717

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Incorporated affiliated organizations						LAFH, LLC									
	Valley Shelter	Casa Central	Cochran Villa	Harmony Place	Phase I	Phase II	Glenoaks Gardens	Vineland Place	Alabama Court	Harmony Gardens	Vanowen Gardens	Victory Partners	Controlled Limited Partnerships	Consolidated Total Before Eliminations	Eliminations	Adjusted Consolidated Total
Public support and revenues																
Government contracts and grants	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 29,693,076	$ -	$ 29,693,076
Private contributions (corporate, foundation and individuals)	-	-	-	-	42,000	230,695	-	-	-	-	-	-	-	13,613,914	(272,695)	13,341,219
Contributed goods and services	-	-	-	-	-	-	-	-	-	-	-	-	-	930,331	-	930,331
Special events revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	1,920,985	-	1,920,985
Total public support and revenues	-	-	-	-	42,000	230,695	-	-	-	-	-	-	-	46,158,306	(272,695)	45,885,611
Other revenues																
Management and development fees	-	-	-	-	-	-	-	-	-	-	-	-	-	141,448	(141,448)	-
Rental revenues, net	-	39,960	69,924	162,931	400,265	527,462	751,335	219,544	477,038	154,424	197,965	160,741	1,442,289	5,377,449	(927,727)	4,449,722
Other revenues	-	216	316	-	1,314	34,244	4,325	529	3,421	363	504	219	2,648	380,014	-	380,014
Total other revenues	-	40,176	70,240	162,931	401,579	561,706	755,660	220,073	480,459	154,787	198,469	160,960	1,444,937	5,898,911	(1,069,175)	4,829,736
Total public support and other revenues	-	40,176	70,240	162,931	443,579	792,401	755,660	220,073	480,459	154,787	198,469	160,960	1,444,937	52,057,217	(1,341,870)	50,715,347
Expenses																
Bad debt expense	-	-	-	-	-	-	-	7,613	-	-	6,647	1,093	-	344,590	-	344,590
Client food and meals	-	-	-	-	-	-	-	-	-	-	-	-	-	511,790	-	511,790
Client supplies/program expense	-	-	-	-	-	-	-	-	-	-	-	-	-	11,681,067	-	11,681,067
Office equipment and supplies	-	285	169	1,646	-	-	8,287	1,709	3,608	2,130	1,364	1,154	23,883	746,143	(1,519)	744,624
Other operating expenses	-	972	1,283	1,503	10,657	10,667	25,472	2,014	26,631	1,286	4,689	1,999	64,543	2,725,396	-	2,725,396
Professional and legal fees	-	185	4,300	8,535	31,050	-	15,163	7,770	13,750	6,665	7,042	8,305	66,928	834,840	-	834,840
Insurance	-	6,035	4,030	11,845	-	-	29,081	9,607	16,644	6,668	8,330	7,219	73,467	299,346	-	299,346
Property management and development	-	5,175	6,380	13,919	54,000	84,263	55,538	29,870	43,598	23,017	32,057	24,801	128,164	559,581	(148,283)	411,298
Property taxes and other fees	-	940	36,412	4,160	2,058	-	8,688	11,519	8,025	3,651	8,051	4,379	75,244	281,509	-	281,509
Rent expense	-	-	-	-	-	-	-	-	-	-	-	-	-	1,513,007	(927,727)	585,280
Repairs and maintenance	-	19,255	26,658	78,932	-	-	116,697	79,390	224,747	37,458	59,856	27,125	119,794	1,653,938	-	1,653,938
Salaries, taxes, and benefits	-	7,930	10,033	24,485	-	-	87,670	63,669	63,203	36,375	56,973	28,972	275,612	16,424,110	(17,583)	16,406,527
Special events/fundraising	-	-	-	-	-	-	-	-	-	-	-	-	-	520,233	-	520,233
Utilities	-	9,685	17,089	43,074	-	-	99,594	37,635	62,838	38,542	42,677	28,876	199,227	1,205,093	-	1,205,093
Vehicle expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	165,072	-	165,072
Loss on equity in partnership interests	-	-	-	-	-	-	-	-	-	-	-	-	-	166,328	(166,328)	-
Contribution expense	-	-	-	-	-	-	-	-	-	-	-	-	-	229,176	(229,176)	-
Total before financial expenses	-	50,462	106,354	188,099	97,765	94,930	446,190	250,796	463,044	155,792	227,686	133,923	1,026,862	39,861,219	(1,490,616)	38,370,603
Interest expense	-	25,930	33,724	63,427	138,140	-	362,171	77,610	7,734	42,202	44,099	45,864	832,411	2,100,279	-	2,100,279
Total before depreciation and amortization	-	76,392	140,078	251,526	235,905	94,930	808,361	328,406	470,778	197,994	271,785	179,787	1,859,273	41,961,498	(1,490,616)	40,470,882
Depreciation and amortization	-	12,199	23,326	43,514	198,076	-	371,092	68,226	97,451	50,217	49,804	62,724	938,192	2,166,710	(88,862)	2,077,848
Total expenses	-	88,591	163,404	295,040	433,981	94,930	1,179,453	396,632	568,229	248,211	321,589	242,511	2,797,465	44,128,208	(1,579,478)	42,548,730
Change in net assets (deficit)	-	(48,415)	(93,164)	(132,109)	9,598	697,471	(423,793)	(176,559)	(87,770)	(93,424)	(123,120)	(81,551)	(1,352,528)	7,929,009	237,608	8,166,617
Net assets (deficit) at December 31, 2017	(1,779,257)	(732,016)	(1,449,150)	(1,695,159)	(2,365,367)	(2,054,909)	(3,906,768)	(1,199,913)	950,655	(579,843)	(559,286)	(109,794)	5,501,519	12,411,541	(1,769,356)	10,642,185
Transfer	1,779,257	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	1,335,709	1,335,709	-	1,335,709
Net assets (deficit) at December 31, 2018	$ -	$ (780,431)	$ (1,542,314)	$ (1,827,268)	$ (2,355,769)	$ (1,357,438)	$ (4,330,561)	$ (1,376,472)	$ 862,885	$ (673,267)	$ (682,406)	$ (191,345)	$ 5,484,700	$ 21,676,259	$ (1,531,748)	$ 20,144,511

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
COCHRAN VILLA, INC. - HCD LOAN NO. 90-RHCP-041
SCHEDULE OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,		2018	2017
	Rent Revenue		
5120	Rent revenue - gross potential	$ 68,639	$ 67,391
5121	Tenant assistance payments	51	649
5100T	**Total rent revenue**	68,690	68,040
	Vacancies		
5220	Apartments	1,815	-
5200T	**Total vacancies**	1,815	-
5152N	**Net rental revenue**	66,875	68,040
	Financial Revenue		
5440	Revenue from investments - reserves	316	340
5400T	**Total financial revenue**	316	340
	Other Revenue		
5910	Laundry and vending revenue	1,964	1,710
5920	Tenant charges	1,085	2,800
5900T	**Total other revenue**	3,049	4,510
5000T	**Total revenues**	$ 70,240	$ 72,890

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
COCHRAN VILLA, INC. - HCD LOAN NO. 90-RHCP-041
SCHEDULE OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,			2018		2017
	Administrative Expenses				
6203	Conventions and meetings		$ -		$ 83
6250	Other renting expenses		69		-
6310	Office salaries		1,838		5,294
6311	Office expenses		1,180		479
6320	Management fee		6,380		6,601
6330	Manager or superintendent salaries		2,471		3,744
6340	Legal expense - project		-		663
6350	Audit / tax preparation expenses		4,300		6,790
6351	Bookkeeping fees/accounting services		117		139
6390	Miscellaneous administrative expenses				
	Systematic code fees	$ 433		$ 760	
	Management administrative fees	-	433	4,993	5,753
6263T	**Total administrative expenses**		16,788		29,546
	Utilities Expenses				
6450	Electricity		3,459		2,941
6451	Water		12,422		16,572
6452	Gas		471		614
6400T	**Total utilities expenses**		16,352		20,127
	Operating and Maintenance Expenses				
6510	Payroll		3,124		3,301
6515	Supplies		3,136		4,873
6520	Contracts		20,757		63,984
6525	Garbage & trash removal		2,765		3,014
6546	Heating/cooling repairs and maintenance		-		1,166
6500T	**Total operating and maintenance expenses**		29,782		76,338
	Taxes and Insurance				
6710	Real estate taxes		35,944		8,010
6711	Payroll taxes (Project's share)		680		684
6720	Property and liability insurance (hazard)		4,030		5,426
6722	Workers compensation		299		486
6723	Health insurance and other benefits		2,444		2,602
6790	Miscellaneous taxes, licenses, permits and insurance		25		41
6700T	**Total taxes and insurance**		43,422		17,249
	Total operating expenses		$ 106,344		$ 143,260

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
COCHRAN VILLA, INC. - HCD LOAN NO. 90-RHCP-041
SCHEDULE OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,		2018	2017
	Financial Expenses		
6820	Interest on mortgage (or bonds) payable	$ 33,724	$ 33,724
6800T	**Total financial expenses**	33,724	33,724
	Depreciation and Amortization Expenses		
6600	Depreciation expense	23,326	23,326
6600T	**Total depreciation and amortization expenses**	23,326	23,326
	Net Entity Expenses		
7190	Other expenses		
	Franchise state tax	10	-
7100T	**Total net entity expenses**	10	-
	Total expenses	$ 163,404	$ 200,310
3250	**Change in total net assets from operations**	$ (93,164)	$ (127,420)

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
COCHRAN VILLA, INC. - LOAN NO. 90-RHCP-041
SUPPLEMENTARY INFORMATION REQUIRED BY HCD
FOR THE YEAR ENDED DECEMBER 31, 2018

A. CASH ON HAND AND IN BANKS

Unrestricted accounts:

For the Year ended December 31,		**2018**
Operating cash account	$	5,872

Restricted accounts:

For the Year ended December 31,		**2018**
Operating reserves	$	21,203
Replacement reserves		93,288
Tenant security deposits		11,484
Total	$	125,975

B. TENANT ACCOUNTS RECEIVABLE

As of December 31, 2018, Cochran Villa has $2,738 and $0 in tenant receivables and subsidy receivables, respectively.

C. REPLACEMENT RESERVE ACCOUNT

In accordance with Cochran Villa's loan and regulatory agreements, the entity is required to maintain a replacement reserve account in a restricted cash account, which is held by Citibank and City National Bank, FDIC insured banks, to be used for replacement of property with the prior approval of HCD as follows:

Balance, January 1, 2018	$	95,735
Deposits		1,741
Interest		197
Withdrawals		(4,385)
Balance, December 31, 2018	$	93,288

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
COCHRAN VILLA, INC. - LOAN NO. 90-RHCP-041
SUPPLEMENTARY INFORMATION REQUIRED BY HCD
FOR THE YEAR ENDED DECEMBER 31, 2018

D. OPERATING RESERVE ACCOUNT

In accordance with Cochran Villa's loan and regulatory agreements, the entity is required to maintain an operating reserve account in a restricted cash account, which is held by Citibank and City National Bank, FDIC insured banks, to be used for unforeseen circumstances and operating cash flow deficits with the prior approval of HCD as follows:

Balance, January 1, 2018	$	61,762
Deposits		791
Interest		101
Withdrawals		(41,451)
Balance, December 31, 2018	$	21,203

E. TENANT SECURITY DEPOSITS

Tenant security deposits are held in a single federally insured interest bearing bank account with Citibank. At December 31, 2018, the balance of the security deposit account is adequate to cover the liability for security deposits.

F. PROPERTY, EQUIPMENT AND IMPROVEMENTS

Following are the details of property, equipment and improvements:

Property, Equipment and Improvements, at Cost	**Balance 1/1/18**	**Additions (Deletions)**	**Balance 12/31/18**
Land	$ 208,573	$ -	$ 208,573
Buildings and improvements	907,452	-	907,452
Personal property	11,021	-	11,021
Total	$ 1,127,046	$ -	$ 1,127,046

G. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses amounts are payable to vendors and suppliers, and are being paid on a current basis. Detail is as follows:

For the Year ended December 31,		**2018**
Accounts payable	$	18,094
Accrued expenses		9,284
Total	$	27,378

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
COCHRAN VILLA, INC. - LOAN NO. 90-RHCP-041
SUPPLEMENTARY INFORMATION REQUIRED BY HCD
FOR THE YEAR ENDED DECEMBER 31, 2018

H. GROSS POTENTIAL RENT

Gross potential rent includes:

For the Year ended December 31,		2018
Tenant rents – residential	$	68,639
Rental subsidies		51
Vacancies		-
Total gross potential rent	$	68,690

I. PROPERTY TAXES

The Partnership anticipates receiving an exemption of indirect real property taxes issued by the county assessor. The Partnership has paid the other 2018 assessments billed by the county on a current basis. The tax statements are paid when due, and are not impounded by a lender.

J. PROPERTY INSURANCE

Property insurance premiums are paid current as of December 31, 2018. The Partnership pays the premiums when due.

K. MANAGEMENT FEE

A property management fee of $6,380 was incurred during 2018 for property management services provided by an unrelated party.

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
COCHRAN VILLA, INC. - HCD LOAN NO. 90-RHCP-041
COMPUTATION OF OPERATING CASH FLOW/SURPLUS CASH - PER HCD REGULATORY AGREEMENTS

FOR THE YEARS ENDED DECEMBER 31,	2018	2017
Operating cash flow/surplus cash will be distributed according to the HCD method.		
Operating revenue		
Total revenue	$ 70,240	$ 72,890
Interest on restricted reserve accounts	(316)	(340)
Adjusted operating revenue	69,924	72,550
Operating expenses	(106,344)	(143,260)
Adjusted net income (loss)	(36,420)	(70,710)
Other activity		
Deposits into replacement reserve account	(1,741)	(4,179)
Deposits into other restricted accounts per Regulatory Agreement	791	(1,899)
Withdrawals from replacement reserve account included in operating expenses	4,385	36,005
Total other activity	3,435	29,927
Operating cash flow/surplus cash	(32,985)	(40,783)
Total cash available for distributions (net cash flow)	$ -	$ -
Distributions and loan payments		
50% split and paid as follows per Regulatory Agreement		
40% to HCD	$ -	$ -
37% to Century Housing Corporation	-	-
23% to CRA HCIDLA	-	-
Total distributions	$ -	$ -

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-through Agent Program Title	Federal CFDA Number	Agency or Pass-Through Grantor Number	Total Federal Expenditures	Expenditures to Subrecipients
Department of Homeland Security/Federal Emergency Management Agency				
Emergency Food and Shelter National Board Program				
Phase 35 - TLC	97.024	LRO069500-085	$ 148,079	$ -
Total Department of Homeland Security/Federal Emergency Management Agency			148,079	-
Department of Veterans Affairs:				
VA Homeless Providers Per Diem Only (Jan-Sept)	64.024	LFHC560-0682-691-BH-18-0	174,240	-
VA Homeless Providers Per Diem Only (Oct-Dec)	64.024	LFHC560-0681-691-LD-18-0	57,240	-
VA Homeless Providers Per Diem Only (Jan-Sept)	64.024	LFHC560-0682-691-LD-18-0	167,851	-
VA Homeless Providers Per Diem Only (Oct-Dec)	64.024	LFHC560-0682-691-BH-18-0	58,275	-
Total VA Homeless Providers:			457,606	-
Passed through PATH:				
VA Supportive Services for Veteran Families	64.033	C2015-CA-600C	135,824	-
Total Department of Veteran Affairs			593,430	-
Department of Housing and Urban Development:				
Passed through Los Angeles Homeless Services Authority:				-
Continuum of Care Program	14.267	CA0422L9D001609	12,475	-
Continuum of Care Program	14.267	CA1336L9D001602	219,328	-
Continuum of Care Program	14.267	CA1487L9D001601	1,600,933	-
Total Continuum of Care Program			1,832,736	-
Passed through Los Angeles Homeless Services Authority:				
Emergency Shelter Grant Program	14.231	2017CESF02	161,611	-
Emergency Shelter Grant Program	14.231	2017CESSAY03	64,542	-
Total Emergency Shelter Grant Program			226,153	-
Passed through Los Angeles Homeless Services Authority:				
Community Development Block Grants:				
Family Program	14.218	2017CESF02	974,907	107,545
Family Program	14.218	2017CESF11	31,966	-
Total Community Development Block Grants			1,006,873	107,545
Total Department of Housing and Urban Development			3,065,762	107,545

See independent auditor's report and notes to schedule of expenditures of federal awards.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-through Agent Program Title	Federal CFDA Number	Agency or Pass-Through Grantor Number	Total Federal Expenditures	Expenditures to Subrecipients
Department of Health and Human Services:				
Passed through Los Angeles County DPSS/ Los Angeles Homeless Services Authority:				
Homeless Family Solutions System	93.558	2017DPSSF02	606,058	92,339
Homeless Family Solutions System	93.558	2017DPSSF02	717,588	-
Homeless Family Solutions System	93.558	2017DPSSF02	301,051	-
Total Department of Health and Human Services			1,624,697	92,339
Total			$ 5,431,968	$ 199,884

See independent auditor's report and notes to schedule of expenditures of federal awards.

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of L.A. Family Housing Corporation and Affiliated Organizations (the Organization) under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, change in net assets, or cash flows of LA Family Housing.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the presentation of, the basic consolidated financial statements.

Indirect Cost Rate The Organization did not elect the de minimis indirect cost allocation rate of 10% for the year ended December 31, 2018; and instead allocates indirect costs in accordance with its cost allocation plan as allowed by the federal grant programs under Uniform Guidance.

2. AMOUNTS PROVIDED TO SUBRECIPIENTS

LA Family Housing provided grant funds to the following entities as subrecipients of the Homeless Family Solutions System program during the year ended December 31, 2018.

Subrecipient		**Amount**
Ascencia	$	32,839
Bridge to Home		44,488
Hope of the Valley		89,320
New Economics		10,918
Family Promise of The Verdugos		14,415
Door of Hope		7,904
Total	$	199,884

See independent auditor's report.

HOLTHOUSE | CARLIN | VAN TRIGT LLP

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

To the Board of Directors of
L.A. Family Housing Corporation and Affiliated Organizations:

We have audited, 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, the consolidated financial statements of L.A. Family Housing Corporation and Affiliated Organizations (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated August 22, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding #2018-001 that we consider to be a material weakness.

Compliance and Other Matters

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

HOLTHOUSE | CARLIN | VAN TRIGT LLP

Organization's Response to Findings

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Holthouse Carlin & Van Trigt LLP

Los Angeles, California
August 22, 2019

HOLTHOUSE | CARLIN | VAN TRIGT LLP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
L.A. Family Housing Corporation and Affiliated Organizations:

Report on Compliance for Each Major Federal Program

We have audited L.A. Family Housing Corporation and Affiliated Organizations' (collectively, the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Holthouse Carlin & Van Trigt LLP

Los Angeles, California
August 22, 2019

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	X	Yes		No
Significant deficiency(ies) identified not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified not considered to be material weaknesses?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section200.516(a)?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	The Community Development Block Grant
14.267	Continuum of Care Program
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

Section II—Financial Statement Findings

Finding #2018-001

Material Weakness – Contract Revenue Financial Reporting

Condition:
During our audit, it was noted that the Organization did not adequately and timely reconcile the various accounts related to contract revenue, or properly implement a management review of schedules and accounts, which resulted in numerous post-closing adjustments affecting the schedule of expenditures of federal awards, account receivables, unbilled receivables, suspense, cash, deferred revenues, unearned/unapplied income, inter-entity account, revenues, expenses and net assets at year-end.

Criteria:
Management and those charged with governance are responsible for 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.

Cause:
The Organization experienced significant turnover in its finance and contract management departments, while receiving an influx of contract awards, which did not allow for consistent and effective implementation of existing internal controls over financial reporting during the period of transition.

Effect:
Certain internal controls were not consistently or effectively implemented resulting in numerous post-closing adjustments proposed by the auditor and provided by the Organization to correct the misstatements identified during our audit. In addition, untimely closing procedures can negatively impact management's ability to make informed business decisions.

Recommendation:
Management should evaluate the Organization's financial reporting processes and controls over contract receivables and revenue to ensure adequate reconciliations of accounts are prepared and maintained in a timely manner to support all transactions affecting contract revenue. We recommend a detailed monthly review of accounts be performed at the appropriate level in a timely manner.

Views of Responsible Officials and Planned Corrective Actions:
Management has done an in-depth review of the monthly and annual closing procedures for accounts receivable and revenue. To strengthen the accounts receivable and revenue for public contracts, a spreadsheet has been implemented to track invoicing and collections. The spreadsheet is reviewed each month and reconciled with the subsidiary ledger. Accounting staff have been assigned accounting procedures and closing procedures for accounts receivable and revenue. In addition, Management has implemented a detailed monthly closing worksheet/checklist to be completed no later than 30 days after the end of the month. The responsible staff will sign off on the worksheet each month at which point the month end worksheet will be reviewed and signed off by the controller.

Section III—Federal Award Findings and Questioned Costs

There were no findings noted.

Section IV—Prior Year Findings

Financial Statement Finding #2017-001: Organization did not adequately reconcile various accounts related to contracts revenue in a timely manner.

Condition: This finding was a material weakness stating that the Organization did not adequately and timely reconcile the various accounts related to contract revenue, or properly implement a management review of schedules and accounts, which resulted in numerous post-closing adjustments affecting the schedule of expenditures of federal awards, account receivables, unbilled receivables, suspense, cash, deferred revenues, unearned/unapplied income, inter-entity account, revenues, expenses and net assets at year-end

Recommendation: We recommended that management evaluate the Organization's financial reporting processes and controls over contract receivables and revenue to ensure adequate reconciliations of accounts are prepared and maintained in a timely manner to support all transactions affecting contract revenue. We recommended a detailed monthly review of accounts be performed at the appropriate level in a timely manner.

Current Status: The recommendation was not adopted during 2018. See Finding #2018-001.

Financial Statement Finding #2017-002: Organization did not adequately reconcile cash accounts in a timely manner.

Condition: This finding was a material weakness stating that the Organization did not adequately and timely reconcile the general operating cash account to the bank statement and that there were reconciling items that were misstated. While reconciliations are performed on a monthly basis, the reconciliation was not reviewed on a regular basis which resulted in misstatements in accounts receivable, unbilled receivables, suspense, revenues, expenses and net assets at year-end. In addition, several cash reserve accounts did not have a current LAFH employee as the signatory, thus resulting in the accounts not being reconciled by year-end.

Recommendation: We recommended that management evaluate the Organization's cash management policies to ensure adequate reconciliations of accounts are prepared and maintained in a timely manner to support all transactions. We recommended a detailed monthly review of accounts be performed at the appropriate level in a timely manner.

Current Status: The recommendation was adopted during 2018.

Financial Statement Finding #2017-003: Organization did not adequately reconcile various account balances in a timely manner.

Condition: This finding was a material weakness stating that the Organization did not adequately and timely reconcile various accounts or properly implement a management review of accounts, which resulted in numerous post-closing adjustments affecting cash, receivables, intercompany accounts, property, payables, revenues, expenses and net assets at year end. In addition, there were delays in obtaining schedules and supporting documents for various general ledger accounts.

Recommendation: We recommended that management evaluate the Organization's financial reporting processes and controls to ensure adequate reconciliations of accounts are prepared and maintained in a timely manner to support all transactions affecting the various general ledger accounts. In addition, we recommended a detailed monthly review of accounts be performed at the appropriate level in a timely manner.

Current Status: The recommendation was adopted during 2018.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
COCHRAN VILLA, INC. - 90-RHCP-041
MANAGING AGENT CERTIFICATION
DECEMBER 31, 2018

We hereby certify that we have examined the supplementary information of Cochran Villa, Inc. included in the accompanying Schedules III – V, as of and for the year ended December 31, 2018, and to the best of our knowledge and belief, the same is complete and accurate.

Signature: Donna Lambe

Printed Name: Donna Lambe

Title: AVP

Date: 8/26/19

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
COCHRAN VILLA, INC. - 90-RHCP-041
MORTGAGOR'S CERTIFICATION
DECEMBER 31, 2018

I hereby certify that I have examined the supplementary information of Cochran Villa, Inc. included in the accompanying Schedules III – V, as of and for the year ended December 31, 2018 and, to the best of my knowledge and belief, the same is complete and accurate.

Signature: ______________________

Printed Name: Aaron Leon

Title: CFO

Date: 8/26/2019

EMPLOYER IDENTIFICATION NUMBER: 95-3920560

LA FAMILY HOUSING

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Sydney M. Irmas (1925-1996)
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Rev. John Simmons (1917-2013)

August 22, 2019

LA Family Housing Corporation
Corrective Action Plan

Contact Person(s):
Aaron Leon – CFO
Happi Noel – Controller

Finding #2018-001

LA Family Housing Corporation concurs with audit finding. However, LA Family Housing Corporation feels that these delays did not detract from the reliability of the financial data supporting the financial statements and notes that are prepared with the assistance of the CPA firm.

Management

Management has done an in-depth review of the monthly and annual closing procedures for accounts receivable and revenue. To strengthen the closing procedures for receivables and revenue for public contracts, a spreadsheet has been implemented to track invoicing and collections. The spreadsheet is reviewed each month and reconciled with the subsidiary ledger. Accounting staff have been assigned monthly closing procedures for accounts receivable and revenue. In addition, management has implemented a detailed montyhly closing worksheet/checklist, for all accounting functions, to be completed no later than 30 days after the end of the month. The responsible staff will sign off on the worksheet each month at which point the month end worksheet will be reviewed and signed off by the controller.

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