

VENICE COMMUNITY HOUSING CORPORATION  
(A Nonprofit California Corporation)

Consolidated Financial Statements  
(With Single Audit Reports Thereon)

December 31, 2013

# VENICE COMMUNITY HOUSING CORPORATION

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Venice Community Housing Corporation:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Venice Community Housing Corporation (a California nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Venice Community Housing Corporation as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2014, on our consideration of Venice Community Housing Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Venice Community Housing Corporation's internal control over financial reporting and compliance.



Los Angeles, CA  
July 27, 2014

**VENICE COMMUNITY HOUSING CORPORATION**  
**(A Nonprofit California Corporation)**

**Consolidated Statement of Financial Position**

**December 31, 2013**

**ASSETS**

Cash	\$ 589,946
Restricted cash (note 9)	1,873,411
Investments (note 3)	201,375
Government contracts receivable (note 2)	150,221
Grants receivable	76,060
Accounts receivable	66,928
Prepaid expenses	13,332
Property, at cost (note 2):	
Land	8,521,825
Buildings and improvements	14,394,455
Equipment and furniture	541,769
Less: accumulated depreciation	<u>(6,497,462)</u>
Net Property	<u>16,960,587</u>
Real estate under development (note 5)	411,562
Capitalized costs, net of accumulated amortization (note 4)	278,836
Deposits	<u>9,724</u>
<b>Total Assets</b>	<b>\$ <u>20,631,982</u></b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 162,579
Accrued vacation	74,492
Accrued payroll	41,315
Prepaid rent	2,256
Short-term loan payable	21,000
Accrued interest payable	440,757
Mortgage notes payable (notes 6 and 10)	15,514,946
Tenant security deposits	165,990
Commitments and contingencies (note 10)	<u>          </u>
<b>Total Liabilities</b>	<b><u>16,423,335</u></b>
Net Assets:	
Unrestricted net assets	2,667,563
Unrestricted, controlling interest in limited partnerships	369,571
Unrestricted, non-controlling interest in limited partnerships (note 2)	<u>1,025,723</u>
Total unrestricted net assets	4,062,857
Temporarily restricted (note 8)	<u>145,790</u>
<b>Total Net Assets</b>	<b><u>4,208,647</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>20,631,982</u></b>

See accompanying notes to consolidated financial statements.

**VENICE COMMUNITY HOUSING CORPORATION**  
**(A Nonprofit California Corporation)**

**Consolidated Statement of Activities**

**Year ended December 31, 2013**

**Changes in unrestricted net assets:**

Revenues and Support:	
Contributions and grants	\$ 457,569
Government contracts	945,929
Program service	27,500
Rental income	2,320,348
Cancellation of debt income	171,667
Other income	26,356
Interest income	<u>2,880</u>

Total unrestricted revenue 3,952,249

Net assets released from restrictions:

Satisfaction of program restrictions 89,549

Total unrestricted revenue and other support 4,041,798

**Expenses:**

Salaries	1,642,202
Payroll taxes	137,537
Employee benefits	102,101
Consultants	45,154
Job training and supplies	138,221
Education and after school programs	41,085
Rent	9,674
Legal and accounting	72,289
Office and administration	144,678
Conference, training & travel	56,471
Fundraising and outreach	17,582
Maintenance and repairs	325,100
Utilities	226,696
Insurance	238,176
Property tax and license	55,845
Interest	398,976
Depreciation and amortization	<u>406,483</u>

Total expenses 4,058,270

**Decrease in unrestricted net assets** (16,472)

**Changes in temporarily restricted net assets:**

Contributions and grants	123,787
Net assets released from restrictions	<u>(89,549)</u>

**Increase in temporarily restricted net assets** 34,238

**Increase in net assets** \$ 17,766

Change in net assets attributable to non-controlling interest \$ (25,630)

Change in net assets attributable to controlling interest 43,396

\$ 17,766

See accompanying notes to consolidated financial statements.

**VENICE COMMUNITY HOUSING CORPORATION**  
**(A Nonprofit California Corporation)**

**Consolidated Statement of Changes in Net Assets**

**Year ended December 31, 2013**

**Changes in Net Assets:**

<b>Net assets, unrestricted at January 1, 2013</b>	<b>\$ 3,017,914</b>
Changes in unrestricted net assets	(16,472)
Transfer of net assets from a housing affiliate	<u>1,061,415</u>
<b>Net assets, unrestricted at December 31, 2013</b>	<b>\$ <u>4,062,857</u></b>
 <b>Net assets, temporarily restricted at January 1, 2013</b>	 <b>\$ 111,552</b>
Changes in temporarily restricted net assets	<u>34,238</u>
<b>Net assets, temporarily restricted at December 31, 2013</b>	<b>\$ <u>145,790</u></b>
 <b>Total net assets at December 31, 2013</b>	 <b>\$ <u>4,208,647</u></b>

See accompanying notes to consolidated financial statements.

**VENICE COMMUNITY HOUSING CORPORATION**  
**(A Nonprofit California Corporation)**

**Consolidated Statement of Cash Flows**

**Year ended December 31, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 17,766
Adjustments to reconcile change in net assets to cash flow from operating activities:	
Depreciation and amortization expense	406,483
Cancellation of debt income	(171,667)
Non-cash grant revenue	(90,625)
Decrease (Increase) in Operating Assets:	
Tenant security deposits	(17,011)
Government contracts receivable	(31,240)
Accounts receivable	(43,606)
Grants receivable	47,940
Prepaid expenses	16,451
Deposits	3,861
Increase (Decrease) in Operating Liabilities:	
Accounts payable	37,257
Accrued expenses	23,067
Other liability	21,000
Prepaid rent	381
Accrued interest payable	137,690
Tenant security deposits	<u>15,908</u>
Net cash provided by operating activities	<u>373,655</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Increase in property reserves and deposits	(57,996)
Increase of cash upon transfer of affiliate net assets	120,822
Purchase of investments	(696)
Payment for land	(1,000,000)
Payments for building and improvements	(141,545)
Purchases of equipment and furniture	(107,040)
Payment for real estate under development	<u>(400,678)</u>
Net cash used in investing activities	<u>(1,587,133)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from notes payable	1,486,100
Repayment of notes payable	<u>(1,090,537)</u>
Net cash provided by financing activities	<u>395,563</u>

Net decrease in cash	(817,915)
Cash, beginning	<u>1,407,861</u>
<b>Cash, ending</b>	<b>\$ <u>589,946</u></b>

**Supplemental schedule of noncash investing and financing activities:**

Additional costs of rental property from capitalized interest accrual and predevelopment costs payable	\$ <u>5,301</u>
Supplemental disclosure of cash flow information - cash paid for interest, net of amounts capitalized.	\$ <u>284,942</u>

See accompanying notes to consolidated financial statements.



**VENICE COMMUNITY HOUSING CORPORATION**  
**(A Nonprofit California Corporation)**

**Notes to Consolidated Financial Statements**

**December 31, 2013**

**(1) Purpose and Activities**

Venice Community Housing Corporation (VCHC) is a nonprofit California corporation organized for the purpose of providing affordable housing, economic development opportunities, and support services for low income people. This is accomplished through the acquisition, construction, rehabilitation and management of residential properties, as well as the creation of other community development initiatives including job training, childcare and after-school programs. VCHC's activities are primarily funded by grants, contributions, government contracts and rental income.

Westside Housing Corporation (WHC) is an affiliated nonprofit California corporation organized for the purpose of assisting in the development and management of affordable housing properties, primarily through the acquisition of low-income housing limited partner ownership interests, in which VCHC is the general partner.

Collectively, VCHC and its Affiliates shall be referred to as the Organization.

**(2) Summary of Significant Accounting Policies**

**Basis of Accounting**

The consolidating financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Organization and investments in limited partnerships and limited liability companies. Accordingly, income is recognized as earned and expenses incurred, regardless of timing of payments. The non-controlling interests in the consolidated limited partnerships are shown separately in the components of net assets.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of VCHC, WHC plus five affordable housing entities (Affordable Housing Affiliates), described below. These Affordable Housing Affiliates are included in the consolidation in accordance with United States generally accepted accounting principles (GAAP) which require consolidation of the all such entities which are deemed to be controlled by VCHC. WHC is consolidated because VCHC has both an economic interest and control of the organization through a majority voting interest in the governing board. All significant inter-company accounts and material transactions have been eliminated in consolidation.

The following is a summary of Affordable Housing Affiliates and the consolidated ownership information as of December 31, 2013.

<u>Affordable Housing Affiliates</u>	<u>Owner Interest</u>
Fourth Avenue Limited Partnership	100.00%
Horizon Apartments, LLC	100.00%
Navy Blue Apartments Limited Partnership	100.00%
VCHC Pacific Apartments, LLC	100.00%
12525 Washington Place, L.P.	1.00%

**VENICE COMMUNITY HOUSING CORPORATION**  
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**Notes to Consolidated Financial Statements, Continued**

**December 31, 2013**

(2) Summary of Significant Accounting Policies, Continued

Affordable Housing Affiliates, description:

Fourth Avenue Limited Partnership (Fourth Avenue) is a California limited partnership. The initial Partnership was formed in June, 1993 for the purpose of developing and operating a 25 unit low-income rental housing projects located in Venice, California. Development of the property was completed and rental operations began in August, 1996. Regulatory agreements entered into with the State of California and the City of Los Angeles restrict the use of this property as low-income housing. The Partnership's General Partner is VCHC, which owns a 1% interest, and the Limited Partner is WHC, which owns a 99% interest in the Partnership.

Horizon Apartments, LLC (Horizon) is a California limited liability company. The LLC was formed in September, 2010, for the purpose of developing and operating a 20 unit low-income rental housing project located in Venice, California. Horizon is a single member LLC, with VCHC as its sole member. Rehabilitation of the property was completed and rental operations began in July, 2011. Regulatory agreements entered into with the State of California and City of Los Angeles restricts the use of this property as low-income housing and governs the ownership, management, maintenance and operations of the residential building.

Navy Blue Apartments Limited Partnership (Navy Blue) is a California limited partnership. The initial Partnership was formed in March, 1990 for the purpose of developing and operating a 14 unit low-income rental housing project located in Venice, California. The Partnership has leased the land, on which it constructed low-income housing, from the City of Los Angeles. Development of the property was completed and rental operations began in July, 1994. Regulatory agreements entered into with the State of California and the City of Los Angeles restrict the use of this property as low-income housing. The Partnership's General Partner is VCHC, which owns a 30% interest, and the Limited Partner is WHC, which owns a 70% interest in the Partnership.

VCHC Pacific Apartments, LLC (Pacific) is a California limited liability company. The LLC was formed and an operating agreement was executed in June, 2012, for the purpose of refinancing and operating a 32 unit low-income rental housing project located in Venice, California. Pacific is a single member LLC, with VCHC as its sole member. The VCHC owned property was transferred to the LLC and the debt refinancing was completed November, 2012. A Regulatory agreement entered into with HUD restricts the use of this property as low-income housing and governs the ownership, management, maintenance and operations of the property.

12525 Washington Place, L.P., (Washington Place) is a California limited partnership. The initial Partnership was formed in May, 1996 for the purpose of developing and operating 30 units of low-income rental housing located in Venice, California. Development of the property was completed and rental operations began in November, 1997. A regulatory agreement entered into with the City of Los Angeles restricts the use of this property as low-income housing. The General Partner is VCHC; and the Limited Partner is the California Equity Fund 1995, a California limited partnership.

Non-Controlling Interest in Limited Partnerships

Non-controlling interest in limited partnerships' represent the aggregate balance of investor limited partner equity interest in the non-wholly-owned affiliated Affordable Housing Affiliates that are included in the consolidated financial statements.

**VENICE COMMUNITY HOUSING CORPORATION**  
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**Notes to Consolidated Financial Statements, Continued**

**December 31, 2013**

**(2) Summary of Significant Accounting Policies, Continued**

**Revenue Recognition**

The Organization follows provisions of FASB *ASC 958-605-25, Revenue Recognition*. In accordance with this provision VCHC reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires because the stipulated time restriction ends or the purpose restriction is accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Rental income is recognized for apartment rentals as it accrues. Advance receipts of rental income are deferred and classified as liabilities until earned.

Partnership project management fee income is earned annually based on the partnership agreements. Fees earned are eliminated in consolidation.

General support received under grants is recorded when unconditionally promised by the grantor.

**Contracts**

Revenue from contracted services are classified as exchange transactions and recognized as support in accordance with the terms of the contract. Funds received for services not yet earned are reported as deferred revenue in the consolidated financial statements.

**Accounts Receivable**

VCHC does not maintain an allowance for estimated uncollectible amounts because trade receivables primarily consist of government contract reimbursement requests and rent due from government agency subsidies. Management believes all receivables to be collectible at December 31, 2013. Accounts receivable of Affordable Housing Affiliates are reported net of an allowance for estimated uncollectible amounts. It is reasonably possible that management's estimate of the allowance will change.

**Navy Blue Ground Lease**

In December, 1992, Navy Blue leased the land underlying the project from the City of Los Angeles for a term of fifty-five years. The lease provides for rent to be paid annually in an amount equal to the lesser of the fair market rent or 50% of the residual receipts of the Partnership for the year, as defined. The difference between the actual lease payment and the fair market rent will accumulate and be payable from the next available residual receipts. At the end of the lease term all unpaid rent will be due and payable, but only to the extent that the fair market value of the property improvements exceeds the outstanding amount of any loans and related accrued interest remaining on the property. Management considers the contingency remote, and accordingly, no amounts have been accrued in the consolidated financial statements.

As of December 31, 2013, no rent payments have been made under the Ground Lease as the project has not generated any residual receipts, as defined. Also, in accordance with residual receipts calculations, Management estimates that no rent payments will be made during the term of the Ground Lease.

**Fair Value Measurements**

The carrying amount of the Organizations' cash and cash equivalents, receivables, payables and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of the Organizations notes payable is assessed by management based on analysis of underlying investments and historical trends. Impairment reserves are provided as necessary.

**VENICE COMMUNITY HOUSING CORPORATION**  
**(A Nonprofit California Corporation)**

**Notes to Consolidated Financial Statements, Continued**

**December 31, 2013**

(2) Summary of Significant Accounting Policies, Continued

Statement of Cash Flows

For purposes of reporting cash flows, the Organization considers all highly liquid investments with a maturity rate of three months or less to be cash equivalents.

Cash paid for the following as of December 31, 2013:

Income taxes: None

Depreciable and Amortizable Assets

Land, building and improvements are recorded at cost. Improvements are capitalized, while expenditures of \$1,000 or less are charged to expense. Expenditures for ordinary maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. The estimated service life of the assets for depreciation purposes may be different than their actual economic useful lives.

	<u>Estimated Life</u>
Land	-
Building and improvements	30 to 40 years
Furniture and equipment	5 to 7 years

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low-income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2013.

Amortization

Mortgage costs are being amortized over the term of the mortgage loan and land lease using the straight-line method. GAAP requires that the effective yield method be used to amortize the costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

Investments

Investments are reported at their fair value in the statement of financial position in accordance with *Not-for-Profit Entities* topic of the FASB Accounting Standards Codification. Investment income or losses (including interest, dividends, realized and unrealized gains or losses on investments) are included in the statement of activities as increases or decreases in unrestricted assets unless the income or loss restricted by explicit donor stipulations or by law.

**VENICE COMMUNITY HOUSING CORPORATION**  
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**Notes to Consolidated Financial Statements, Continued**

**December 31, 2013**

(2) Summary of Significant Accounting Policies, Continued

Income taxes

VCHC is exempt from Federal and California income taxes under Section 501(c)(3) of the Internal Revenue code and corresponding California provisions. Accordingly, no provision for income taxes has been made in these financial statements. However, VCHC could be subject to Federal and California tax on unrelated business income, if any, as stipulated in IRC Section 511.

Management has determined that the application of FASB *Accounting Standards Codification (ASC) 740, Accounting for Uncertainty In Income Taxes*, does not impact the operations of the Organization, as under current Federal and state laws, VCHC is not subject to income taxes; therefore, no provision has been made for taxes in the accompanying financial statements. Management believes that VCHC has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.

The Affordable Housing Affiliates are not taxpaying entities as under current Federal and state laws, as these pass-through entities are generally not subject to income taxes; therefore, no provision has been made for taxes in the accompanying consolidated financial statements. For tax purposes, income or loss is includable in the tax returns of the individual members or partners.

WHC is a nonprofit California corporation that is not currently seeking an income tax exemption under Section 501(c)(3) of the Internal Revenue code and corresponding California provisions. For the year ended December 31, 2013, there was a federal and state tax loss that was not material to the consolidated financial statements as a whole. Therefore, no provision for income taxes has been recorded in the accompanying consolidated financial statements.

Concentration of Business and Credit Risk

The Organization's cash and cash equivalents are maintained in several bank accounts which, at times, are in excess of federally insured amounts. Such cash balances vary throughout the year. The Organization is subject to credit risk to the extent that its cash and cash equivalents exceed federal deposit insurance limits. The Organization has not experienced any losses in such accounts. At December 31, 2013 the uninsured balances approximate \$410,000 based on actual bank balances. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2013.

The Organization's revenues are derived from several sources. Approximately 14% of revenue is from contributions and grants from non-governmental sources, 23% from fees charged to government agencies, and 57% from rental operations. The Organization is subject to business risks associated with the level of charitable giving in both the private and public sectors, as well as the level of funding for particular government programs. The Organization operates in a heavily regulated environment. Most of the Organization's operations are subject to directives, rules and regulations of federal, state and local regulatory agencies. Such directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by such municipal agencies. The Affordable Housing Entities rent to people with qualifying levels of income who work primarily in the Los Angeles area. The Affordable Housing Entities are subject to business risks associated with the economy and level of unemployment in Los Angeles, as well as available rental subsidies, which affects occupancy and the tenants' ability to make rental payments.

Property Tax Exemption

The Affordable Housing Affiliates are generally exempt from real property taxes to a substantial degree. In the event such exemption is not renewed or no longer available, the Affordable Housing Affiliates' cash flow would be negatively impacted.

**VENICE COMMUNITY HOUSING CORPORATION**  
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**Notes to Consolidated Financial Statements, Continued**

**December 31, 2013**

**(2) Summary of Significant Accounting Policies, Continued**

**Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

The Organization has evaluated subsequent events that have occurred from December 31, 2013 through July 27, 2014, which is the date that the consolidated financial statements were issued, and determined that there were no subsequent events or transactions that required recognition in the consolidated financial statements other than those disclosed in notes to financial statements (see note 11).

**(3) Investments**

Fourth Ave maintains a short-term investment totaling \$63,649 in the form of a certificate of deposit. The certificate carries an interest rate of 0.15% and matures in June, 2014.

Navy Blue maintains a short-term investment totaling \$84,843 in the form of a certificate of deposit. The certificate carries an interest rate of 0.15% and matures in June, 2014.

Washington Place maintains a short-term investment totaling \$52,883 in the form of a certificate of deposit. The certificate carries an interest rate of .15% and matures in June, 2014.

The components of interest and investment income for 2013 is as follows:

Interest income	\$ 2,880
Investment fees	—
Total	\$ <u>2,880</u>

**(4) Capitalized Costs**

Costs incurred to obtain financing as well as certain other costs of the Organization have been capitalized and are being amortized as follows:

		<u>VCHC</u>	<u>Affiliates</u>	<u>Total</u>
Financing Costs	10 to 55 years	\$ 35,038	244,530	\$ 279,568
Land Lease Costs	53 years	<u>—</u>	<u>68,333</u>	<u>68,333</u>
		35,038	312,863	347,901
Less: Accumulated Amortization		<u>(17,161)</u>	<u>(51,904)</u>	<u>(69,065)</u>
Net Capitalized Costs		\$ <u>17,877</u>	<u>260,959</u>	\$ <u>278,836</u>

**VENICE COMMUNITY HOUSING CORPORATION**  
**(A Nonprofit California Corporation)**

**Notes to Consolidated Financial Statements, Continued**

**December 31, 2013**

**(4) Capitalized Costs, Continued**

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

<u>Year Ending December 31</u>	<u>VCHC</u>	<u>Affiliates</u>	<u>Total</u>
2014	\$ 1,553	7,941	\$ 9,494
2015	1,553	7,941	9,494
2016	1,512	7,941	9,453
2017	1,283	7,941	9,224
2018	950	7,941	8,891
Thereafter	<u>11,026</u>	<u>221,254</u>	<u>232,280</u>
Total	\$ <u>17,877</u>	<u>260,959</u>	\$ <u>278,836</u>

**(5) Real Estate Under Development**

Development costs are those capitalized costs that VCHC pays on behalf of particular affordable housing projects currently wholly-owned by VCHC prior to their being placed in service. The funding for such costs are provided by acquisition, predevelopment and construction loans.

**(6) Mortgage Notes Payable**

Notes payable primarily consists of collateralized trust deeds on real property and improvements as follows:

**VCHC**

**200 Lincoln Boulevard:**

First trust deed - 7.26% adjustable rate bank note payable, in the original amount of \$600,000, interest rate fixed until April, 2020, then adjusting in accordance with the ten-year treasury constant maturity yield, maximum interest rate 12.26%, currently payable in monthly installments of principal and interest of \$4,185, due April, 2030.

\$ 479,686

Note payable to Citibank, secured by a deed of trust on real property, in the original amount of \$52,000, non-interest bearing, principal deferred for the fifteen-year term, due June, 2015, subject to forgiveness if the property remains affordable within the Federal Home Loan Bank's Affordable Housing program regulations.

52,000

**5032 South Slauson Avenue:**

Non-interest bearing deferred bank note payable through the Federal Home Loan Bank of San Francisco-Affordable Housing Program in the original amount of \$56,000, subject to possible forgiveness provisions of the principal at the end of the notes ten-year term.

56,000

**511 Brooks Avenue:**

First trust deed - 3.363% adjustable rate bank note payable, in the original amount of \$195,000, calculated monthly in accordance with the 11th district cost of funds, maximum interest rate of 11.70%, currently payable in monthly installments of principal and interest of \$939, due January, 2025.

103,901

**VENICE COMMUNITY HOUSING CORPORATION**  
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**Notes to Consolidated Financial Statements, Continued**

**December 31, 2013**

(6) Mortgage Notes Payable, Continued

Second trust deed non-interest bearing deferred bank note payable through the Federal Home Loan Bank of San Francisco - Affordable Housing Program, in the original amount of \$28,000, subject to possible forgiveness provisions of the principal at the end of the notes ten-year term. 28,000

640 Westminster Avenue:

3% residual receipts note payable to the City of Los Angeles, in the original amount of \$300,000, payable in annual installments of principal and interest based on residual receipts, as defined, until all amounts have been paid in full, due January, 2034. Interest incurred during 2013 was \$9,000 and as of December 31, 2013, accrued interest totaled \$142,128. 300,000

650 Westminster Avenue:

First trust deed - 3% residual receipts note payable to the County of Los Angeles, Housing Authority, in the original amount of \$20,000, payable in annual installments of principal and interest based on residual receipts, as defined, until all amounts have been paid in full, due March, 2021. Subject to annual forgiveness provisions of annual principal over the note's twenty-eight year term, and forgiveness of accrued interest at note maturity. 20,000

920 6th Avenue:

First trust deed - bank note payable, in the original amount of \$168,000, also secured by a replacement reserve account security interest, bearing interest at 8.21% per annum, payable in monthly installments of principal and interest of \$1,257, due March, 2028. 126,512

Note payable to the City of Los Angeles, in the original amount of \$46,000, secured by a deed of trust, non-interest bearing, principal deferred for the twenty-year term, due August, 2018. 46,000

4216 Centinela Avenue:

First trust deed - 6.4% adjustable bank note payable, in the original amount of \$800,000, also secured by a replacement reserve account security interest, fixed interest rate until September 2017, then adjusting semi-annually calculated in accordance with one-year treasury constant maturity yield plus 2.2%, maximum interest rate of 11.4%, currently payable in monthly installments of principal and interest of \$5,004, due September, 2037. 737,772

Second trust deed - note payable to Local Initiatives Support Corporation, in the original amount of \$200,000, bearing interest at 7.25% per annum, payable in monthly installments of principal and interest of \$1,581, balloon payment due August, 2017. 165,379

13368 Beach Avenue:

Note payable to Supportive Housing Solutions Fund LLC, in the original amount of \$2,740,000, bearing interest at 6% per annum, secured by Mortgage and Security Agreement, payable in monthly installments of interest only, principal and unpaid accrued interest due the earlier of closing of construction financing or January, 2016. 1,286,100



**VENICE COMMUNITY HOUSING CORPORATION**  
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**Notes to Consolidated Financial Statements, Continued**

**December 31, 2013**

(6) Mortgage Notes Payable, Continued

720 Rose Avenue:

First trust deed - non-interest bearing note payable to the City of Los Angeles, in the original amount of \$175,370, repaid with services, as defined in the loan agreement. 57,486

Unsecured note payable to the Congregation of the Sisters of Charity of the Incarnate Word, in the original amount of \$200,000, bearing interest at 1% per annum, payable in annual installments of interest only, principal and unpaid accrued interest due February, 2016. 200,000

Affordable Housing Affiliates:

Two amortizing notes payable to various lenders, secured by deeds of trust on real property, bearing interest ranging from 6.28% to 6.47% per annum, principal and interest due date ranging from December 2026 to March 2028. 691,407

Note payable to Sun West Bank, in the original amount of \$2,500,000, insured by HUD under Section 207/223(f) of the National Housing Act. The note is secured by a Multifamily deed of trust, Assignment of Rents and Security agreement, bearing interest at 2.85% per annum, principal and interest payable in monthly installments of \$9,413, due November 1, 2047. 2,454,166

Note payable to the City of Los Angeles, in the original amount of \$750,000, secured by deed of trust on real property, non-interest bearing. The note is repaid with supportive services, as defined in the loan agreement, over a twenty-year period commencing September 1, 2012 and amortizing at a rate of \$37,500 per year, due September, 2034. 659,375

Eight 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, due date ranging from July 2024 to June 2067. Some notes subject to interest forgiveness provisions (see note 10). 8,051,162

Total \$ 15,514,946

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

<u>Year Ending</u> <u>December 31</u>	<u>VCHC</u>	<u>Affiliates</u>	<u>Total</u>
2014	\$ 132,458	76,036	\$ 208,494
2015	161,204	79,417	240,621
2016	1,541,179	82,975	1,624,154
2017	192,047	86,717	278,764
2018	99,312	90,655	189,967
Thereafter	<u>1,532,636</u>	<u>11,440,310</u>	<u>12,972,946</u>
Total	\$ <u>3,658,836</u>	<u>11,856,110</u>	\$ <u>15,514,946</u>

**VENICE COMMUNITY HOUSING CORPORATION**  
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**Notes to Consolidated Financial Statements, Continued**

**December 31, 2013**

**(6) Mortgage Notes Payable, Continued**

In 1995, the City of Los Angeles loaned VCHC \$1,250,000, at 5% per annum, in acquisition and predevelopment funds for the purpose of developing affordable housing. The City allowed VCHC to subsequently loan these funds to Fourth Avenue. Because the funds were part of a Government grant that required the loan to remain with VCHC, the security interests for the City Loan are cross collateralized against a deed of trust on real property owned by the Limited Partnership and against the Partnership promissory note to VCHC.

Concurrent with the execution of the City Loan, VCHC received a \$1,250,000 promissory note from the Limited Partnership, the terms of which are identical to the loan payable to the City of Los Angeles. Proceeds due under the note receivable will be used to offset the identical payments due under the note payable. As such, VCHC has not reflected the notes, interest income and interest expense in the financial statements. In the event of default, although all notes are nonrecourse, VCHC could become liable for the remaining amount of indebtedness, if any, not satisfied by disposition of the Fourth Avenue collateralized property.

	<u>Current Portion</u>	<u>Non-Current Portion</u>	<u>Principal Balance as of 12/31/13</u>	<u>Accrued Interest as of 12/31/13</u>
<b><u>VCHC:</u></b>				
Amortizing	\$ 48,458	1,564,792	1,613,250	\$ 9,132
Non-Amortizing	<u>84,000</u>	<u>1,961,586</u>	<u>2,045,586</u>	<u>143,961</u>
Total VCHC	<u>132,458</u>	<u>3,526,378</u>	<u>3,658,836</u>	<u>153,093</u>
<b><u>Affordable Housing Affiliates:</u></b>				
Amortizing	76,036	3,069,537	3,145,573	9,487
Non-Amortizing	<u>-</u>	<u>8,710,537</u>	<u>8,710,537</u>	<u>278,177</u>
Total Affordable Housing Affiliates	<u>76,036</u>	<u>11,780,074</u>	<u>11,856,110</u>	<u>287,664</u>
Total	\$ <u>208,494</u>	<u>15,306,452</u>	<u>15,514,946</u>	\$ <u>440,757</u>

**(7) Functional Expenses**

Functional expenses for 2013 are allocated as follows:

Program Services	\$ 3,422,528
Management and General	482,873
Fundraising	<u>152,869</u>
Total	\$ <u>4,058,270</u>

**(8) Restrictions on Net Assets**

Temporarily restricted net assets at December 31, 2013 are available for the following purposes:

Community development programs	\$ 28,082
General operating	<u>117,708</u>
Total	\$ <u>145,790</u>

**VENICE COMMUNITY HOUSING CORPORATION**  
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**Notes to Consolidated Financial Statements, Continued**

**December 31, 2013**

**(9) Restricted Cash**

According to various loan and other regulatory agreements, VCHC and Affiliates are required to designate a portion of their cash as restricted for the following purposes:

	<u>VCHC</u>	<u>Affiliates</u>	<u>Total</u>
Operating Reserve	\$ 28,762	575,085	\$ 603,847
Supplement Operating Reserve	-	52,879	52,879
Transition Reserve	-	165,818	165,818
Replacement Reserve	172,445	646,787	819,232
Other	43,197	15,716	58,913
Security Deposits	<u>71,998</u>	<u>100,724</u>	<u>172,722</u>
Total	\$ <u>316,402</u>	<u>1,557,009</u>	\$ <u>1,873,411</u>

**(10) Commitments and Contingent Liabilities**

**VCHC**

VCHC leases storage space on a month-to-month basis at the rate of \$1,042 per month. Rent expense for this operating lease totaled \$9,674 for the year ended December 31, 2013.

VCHC, as general partner for the Limited Partnerships described, may be subject to other liabilities of the partnerships if the partnerships' assets should become insufficient to meet their obligations. In the opinion of management, the future revenues and the value of underlying assets of the Partnerships will be sufficient to meet their obligations.

Mortgage note payable - A development agreement between VCHC and the County of Los Angeles provides for forgiveness of principal and interest on the 650 Westminster Avenue residual receipts note payable (see note 6) if certain conditions are met. These include that the related property is operated and maintained as low-income housing over the term of the loan, and that VCHC complies with various other provisions of the agreement. In the event that the property is not maintained as low-income housing, or if there are other material violations of the development agreement, the mortgage note and accrued interest become immediately due and payable. Although this is a possibility, management deems the contingency remote and plans to meet the conditions as set forth in the provisions of the development agreement. Accordingly, VCHC does not accrue interest on the note payable in the financial statements. At December 31, 2013, the cumulative amount of unpaid interest on the note that could be due if provisions were not met approximated \$12,200.

Additionally, a regulatory agreement between VCHC and the City of Los Angeles provides for the repayment of the original \$175,370 mortgage note payable on 718-20 Rose Avenue property based on VCHC furnishing services to infant/toddlers, as stipulated in the agreement, over the term of the loan. In the event there is a violation of the agreement and the services are not rendered, the balance of the loan becomes immediately due and payable at the option of the lender.

**VENICE COMMUNITY HOUSING CORPORATION**  
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**Notes to Consolidated Financial Statements, Continued**

**December 31, 2013**

(10) Commitments and Contingent Liabilities, Continued

Fourth Ave

A loan agreement between the Fourth Ave, VCHC, and the City of Los Angeles Housing Department provides for possible forgiveness of interest on the mortgage note payable of \$1,250,000. At the end of the note's forty-year term, accrued interest will be due and payable only if the fair market value of the property (as defined) exceeds the principal balance of the note plus all superior indebtedness secured against the property. Due to this contingency, interest on the note has not been accrued in the financial statements because the future fair market value of the property at loan maturity is not expected to be sufficient. At December 31, 2013, Fourth Ave is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated \$1,002,000, if the fair market value of the property is sufficient.

The deferral provisions as stipulated in the loan agreement remain in effect only as long as the property is operated and maintained as low-income housing and the Partnership complies with various other provisions of the agreement. In the event that the property is not maintained as low-income housing, or if there are other material violations of the loan agreement, the mortgage note becomes due and payable. Although this is a possibility, management deems the contingency remote and plans to meet the conditions as set forth in the provisions of the loan agreement.

Navy Blue

A regulatory agreement between Navy Blue and the City of Los Angeles Agency provides for possible forgiveness of interest on the mortgage note payable of \$692,000. At the end of the note's thirty-year term, accrued interest will be due and payable only to the extent the fair market value of the property (as defined) exceeds the principal balance of the note plus all superior indebtedness secured against the property. Due to this contingency, interest on the note has not been accrued in the financial statements because the future fair market value of the property at loan maturity is not expected to be sufficient. At December 31, 2013 Navy Blue is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated \$415,000, if the fair market value of the property is sufficient.

Horizon

VCHC was awarded a recoverable subsidy grant from the City of Los Angeles Housing Authority, under the Shelter Plus Care program, totaling \$1,133,220 in connection with the rental operations at the Horizon housing project. The subsidy is disbursed over a five-year period that began in 2011. Under the terms of the contract, VCHC must provide tenants with supportive services in an amount equal to or greater than the amount of the rental subsidies received. Revenue from the subsidy is passed through to Horizon and is included in rental income in the accompanying consolidated financial statements.

During 2011 Horizon received a contingent grant in the amount of \$250,000 from the County of Los Angeles CDC, under its Emergency Shelter Funds program, for costs associated with the rehabilitation of the Horizon housing project. The grant is repayable only if in default with the 15 year grant agreement. Although this is a possibility, management deems the contingency remote and plans to meet the conditions as set forth in the provisions of the grant agreement.

The deferral provisions as stipulated in the regulatory agreement remain in effect only as long as the property is operated and maintained as low-income housing and Navy Blue complies with various other provisions of the agreement. In the event that the property is not maintained as low-income housing, or if there are other material violations of the regulatory agreement the mortgage note becomes due and payable. Although this is a possibility, management deems the contingency remote and plans to meet the conditions as set forth in the provision of the regulatory agreement.

**VENICE COMMUNITY HOUSING CORPORATION**  
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**Notes to Consolidated Financial Statements, Continued**

**December 31, 2012**

(10) Commitments and Contingent Liabilities, Continued

Washington Place

A loan agreement between Washington Place, VCHC and the City of Los Angeles Housing Department provides for possible forgiveness of interest on the mortgage note payable of \$1,500,000. At the end of the note's thirty-year term, accrued interest will be due and payable only if the fair market value of the property (as defined) exceeds the principal balance of the note plus all superior indebtedness secured against the property. Due to this contingency, interest on the note has not been accrued in the financial statements because the future fair market value of the property at loan maturity is not expected to be sufficient. At December 31, 2013, the Organization is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated \$1,110,000, if the fair market value of the property is sufficient.

The deferral provisions as stipulated in the loan agreement remain in effect only as long as the property is operated and maintained as low-income housing and the Partnership complies with various other provisions of the agreement. In the event that the property is not maintained as low-income housing, or if there are other material violations of the loan agreement, the mortgage note becomes due and payable. Although this is a possibility, management deems the contingency remote and plans to meet the conditions as set forth in the provisions of the loan agreement.

(11) Subsequent Events

In January, 2014, WHC obtained a 99% ownership interest in 12525 Washington Place Limited Partnership. The exiting Limited Partner (California Equity Fund 1995 Limited Partnership) transferred its entire partnership interest to Partnership and VCHC, as the General Partner, for a nominal amount. Concurrently, WHC was then admitted to the Partnership as a Substitute Limited Partner under an assignment and assumption agreement, and is bound by all the terms and conditions of the existing Partnership Agreement. WHC assumes the capital account at book value, and all of the duties and obligations of the California Equity Fund 1995 Limited Partnership's assigned Partnership interest.

**VENICE COMMUNITY HOUSING CORPORATION**  
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**Consolidating Statement of Financial Position**

**December 31, 2013**

**Schedule 1**

	Venice Community Housing Corporation <u>excluding Affiliates</u>	<u>Affiliates</u>	<u>Elimination Adjustments</u>	Venice Community Housing Corporation
<b><u>Assets</u></b>				
Cash and equivalents	\$ 341,594	248,352		\$ 589,946
Restricted cash	316,402	1,557,009		1,873,411
Investments	-	201,375		201,375
Government contracts receivable	150,221	-		150,221
Grants receivable	76,060	-		76,060
Accounts receivable, net	3,545	63,383		66,928
Prepaid expenses	482	24,203	(11,353)	13,332
Property and equipment	8,977,110	14,580,939	(100,000)	23,458,049
Accumulated depreciation	(2,141,515)	(4,355,947)		(6,497,462)
Net Property	<u>6,835,595</u>	<u>10,224,992</u>	<u>(100,000)</u>	<u>16,960,587</u>
Real estate under development	411,562	-		411,562
Financing costs, net	17,877	260,959		278,836
Due from affiliates	56,871	7,011	(63,882)	-
Deposits	<u>4,214</u>	<u>5,510</u>		<u>9,724</u>
Total assets	\$ <u>8,214,423</u>	<u>12,592,794</u>	<u>(175,235)</u>	\$ <u>20,631,982</u>
<b><u>Liabilities and Net Assets</u></b>				
Accounts payable	\$ 64,611	97,968		\$ 162,579
Accrued vacation	74,492	-		74,492
Accrued payroll	41,315	-		41,315
Prepaid rent	935	1,321		2,256
Short-term loan payable	21,000	-		21,000
Accrued interest payable	153,093	287,664		440,757
Due to affiliates	7,011	179,433	(186,444)	-
Notes payable	3,658,836	11,856,110		15,514,946
Tenant deposits	<u>70,545</u>	<u>95,445</u>		<u>165,990</u>
Total liabilities	<u>4,091,838</u>	<u>12,517,941</u>	<u>(186,444)</u>	<u>16,423,335</u>
Net Assets:				
Unrestricted	3,976,795	74,853	11,209	4,062,857
Temporarily restricted	<u>145,790</u>	<u>-</u>		<u>145,790</u>
Total Net Assets	<u>4,122,585</u>	<u>74,853</u>	<u>11,209</u>	<u>4,208,647</u>
Total Liabilities and Net Assets	\$ <u>8,214,423</u>	<u>12,592,794</u>	<u>(175,235)</u>	\$ <u>20,631,982</u>

See accompanying auditors' report.

**VENICE COMMUNITY HOUSING CORPORATION**  
(A Nonprofit California Corporation)

**Consolidating Statement of Activities**

**Year ended December 31, 2013**

**Schedule 2**

	Venice Community Housing Corporation <u>excluding Affiliates</u>	<u>Affiliates</u>	<u>Elimination Adjustments</u>	Venice Community Housing Corporation
Changes in unrestricted net assets:				
Revenue & Support:				
Contributions and grants	\$ 366,944	90,625		\$ 457,569
Government grants	945,929	-		945,929
Program service	27,500	-		27,500
Rental income	911,797	1,408,551		2,320,348
Partnership mgmt and tenant svcs fees	529,145	-	(529,145)	-
Cancellation of debt income	171,667	-		171,667
Other income	25,864	492		26,356
Interest income	<u>774</u>	<u>2,106</u>		<u>2,880</u>
Total unrestricted revenue	2,979,620	1,501,774	(529,145)	3,952,249
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>89,549</u>	<u>-</u>		<u>89,549</u>
Total unrestricted revenue and support	<u>3,069,169</u>	<u>1,501,774</u>	<u>(529,145)</u>	<u>4,041,798</u>
Expenses:				
Salaries, benefits, taxes	1,827,276	293,555	(238,991)	1,881,840
Consultants	45,154	-		45,154
Job training and supplies	138,221	-		138,221
Education and after school programs	41,085	-		41,085
Rent	9,674	-		9,674
Legal & accounting	23,860	67,709	(19,280)	72,289
Office and administration	113,744	49,867	(18,933)	144,678
Conference, training & travel	56,471	-		56,471
Management and tenant svcs fee	-	146,894	(146,894)	-
Fundraising & outreach	17,582	-		17,582
Maintenance & repairs	142,727	248,664	(66,291)	325,100
Utilities	90,495	136,201		226,696
Insurance	199,081	83,733	(44,638)	238,176
Property tax and license	39,491	18,648	(2,294)	55,845
Interest	120,814	278,162		398,976
Depreciation & amortization	<u>158,225</u>	<u>248,258</u>		<u>406,483</u>
Total expenses	<u>3,023,900</u>	<u>1,571,691</u>	<u>(537,321)</u>	<u>4,058,270</u>
Increase (decrease) in unrestricted net assets	<u>45,269</u>	<u>(69,917)</u>	<u>8,176</u>	<u>(16,472)</u>
Change in temp. restricted net assets:				
Contributions and grants	123,787	-		123,787
Net assets released from restriction	<u>(89,549)</u>	<u>-</u>		<u>(89,549)</u>
Increase in temp. restricted net assets	<u>34,238</u>	<u>-</u>		<u>34,238</u>
Total increase (decrease) in net assets	79,507	(69,917)	8,176	17,766
Other changes in net assets:				
Transfer of net assets (to) from housing affiliate - Washington Place	-	1,043,406	18,009	1,061,415
Transfer of cash to (from) housing affiliate - Pacific	(108,415)	108,415		-
Net assets at beginning of year	<u>4,151,493</u>	<u>(1,007,051)</u>	<u>(14,976)</u>	<u>3,129,466</u>
Net assets at end of year	\$ <u>4,122,585</u>	<u>74,853</u>	<u>11,209</u>	\$ <u>4,208,647</u>
See accompanying auditors' report.				

**VENICE COMMUNITY HOUSING CORPORATION**  
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**Combining Statement of Financial Position by Affiliates**

**December 31, 2013**

**Schedule 3**

	Fourth Ave. Apts., L.P.	Horizon Apts., LLC	Navy Blue Apts., L.P.	VCHC Pacific Apts., LLC	12525 Washington Place, L.P.	Westside Housing Corporation	Combining Adjustments	Affiliates Total
<b><u>Assets</u></b>								
Cash and equivalents	\$ 28,998	45,173	11,504	26,024	130,815	5,838	\$	\$ 248,352
Restricted cash	434,228	297,396	272,629	141,702	411,054	-		1,557,009
Investments	63,649	-	84,843	-	52,883	-		201,375
Accounts receivable, net	1,697	15	4,281	56,620	770	-		63,383
Prepaid expenses	-	-	-	12,850	11,353	-		24,203
Property and equipment	3,501,443	4,776,718	1,266,955	829,243	4,206,580	-		14,580,939
Accumulated depreciation	(1,772,613)	(130,593)	(772,166)	(29,117)	(1,651,458)	-		(4,355,947)
Financing costs, net	6,271	45,842	43,495	155,085	10,266	-		260,959
Due from Affiliates	7,011	-	-	-	-	5,434	(5,434)	7,011
Deposits	4,470	-	650	-	390	-		5,510
Total assets	<u>2,275,154</u>	<u>5,034,551</u>	<u>912,191</u>	<u>1,192,407</u>	<u>3,172,653</u>	<u>11,272</u>	<u>(5,434)</u>	<u>12,592,794</u>
<b><u>Liabilities and Net Assets</u></b>								
Accounts payable	8,476	1,940	28,235	50,830	8,487	-		97,968
Prepaid rent	12	214	67	791	237	-		1,321
Accrued interest payable	58,729	209,481	11,294	5,829	2,331	-		287,664
Due to Affiliates	55,143	8,377	66,369	7,989	39,489	7,500	(5,434)	179,433
Notes payable	1,608,254	4,641,847	1,068,480	2,454,166	2,083,363	-		11,856,110
Tenant deposits	14,765	19,533	9,470	29,727	21,950	-		95,445
Total liabilities	<u>1,745,379</u>	<u>4,881,392</u>	<u>1,183,915</u>	<u>2,549,332</u>	<u>2,155,857</u>	<u>7,500</u>	<u>(5,434)</u>	<u>12,517,941</u>
Net Assets:								
Unrestricted	<u>529,775</u>	<u>153,159</u>	<u>(271,724)</u>	<u>(1,356,925)</u>	<u>1,016,796</u>	<u>3,772</u>		<u>74,853</u>
Total Liabilities and Net Assets	<u>\$ 2,275,154</u>	<u>5,034,551</u>	<u>912,191</u>	<u>1,192,407</u>	<u>3,172,653</u>	<u>11,272</u>	<u>(5,434)</u>	<u>\$ 12,592,794</u>

See accompanying auditors' report.



**VENICE COMMUNITY HOUSING CORPORATION**  
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**Combining Statement of Activities by Affiliates**

**Year ended December 31, 2013**

**Schedule 4**

	Fourth Ave. Apts., L.P.	Horizon Apts., LLC	Navy Blue Apts., L.P.	VCHC Pacific Apts., LLC	12525 Washington Place, L.P.	Westside Housing Corporation	Combining Adjustments	Affiliates Total
Changes in unrestricted net assets:								
Revenue & Support:	\$	\$						\$
Contributions and grants	288,106	90,625	150,128	371,960	365,140	-		90,625
Rental income	-	233,217	-	-	-	-		1,408,551
Partnership mgmt fees	-	-	-	-	-	5,434	(5,434)	-
Other income	346	-	12	134	-	-		492
Interest income	545	368	290	350	553	-		2,106
Total unrestricted revenue	288,997	324,210	150,430	372,444	365,693	5,434	(5,434)	1,501,774
Expenses:								
Salaries, benefits, taxes	92,508	44,085	28,668	50,183	78,111	-		293,555
Legal & accounting	13,965	14,439	12,965	10,495	14,980	865		67,709
Office and administration	17,741	9,947	4,996	6,023	11,160	-		49,867
Management & tenant services	17,792	53,773	43,253	-	30,010	7,500	(5,434)	146,894
Maintenance & repairs	80,346	17,401	27,336	52,591	70,990	-		248,664
Utilities	40,537	10,667	12,395	31,627	40,975	-		136,201
Insurance	23,262	12,520	7,960	19,654	20,337	-		83,733
Property tax and license	6,312	2,508	999	4,774	4,035	20		18,648
Interest	25,466	119,853	11,294	70,500	51,049	-		278,162
Depreciation & amortization	67,692	53,935	26,157	29,818	70,656	-		248,258
Total expenses	385,621	339,128	176,023	275,665	392,303	8,385	(5,434)	1,571,691
Increase (decrease) in unrestricted net assets	(96,624)	(14,918)	(25,593)	96,779	(26,610)	(2,951)	-	(69,917)
Other changes in net assets:								
Transfer of net assets from housing affiliate	-	-	-	-	1,043,406	-		1,043,406
Transfer of cash to housing affiliate	-	-	-	108,415	-	-		108,415
Net assets at beginning of year	626,399	168,077	(246,131)	(1,562,119)	-	6,723		(1,007,051)
Net assets at end of year	529,775	153,159	(271,724)	(1,356,925)	1,016,796	3,772		74,853
See accompanying auditors' report.								