

**VENICE COMMUNITY HOUSING CORPORATION
AND AFFILIATES**

(A CALIFORNIA NONPROFIT CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS

AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2020



VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES

(A CALIFORNIA NONPROFIT CORPORATION)

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of
Venice Community Housing Corporation:

We have audited the accompanying consolidated financial statements of Venice Community Housing Corporation and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2020, 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 financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of certain affordable housing affiliate entities, which statements reflect total combined assets of \$20,753,968 as of December 31, 2020, and total revenues of \$1,429,347 for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these wholly owned properties and controlled partnerships, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Organization'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 Organization'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, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Venice Community Housing Corporation and Affiliates as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was 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. 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 consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to amounts included for certain affiliates and wholly owned properties based on the reports of other auditors, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Holtthouse Carlin & Van Trigt LLP

Los Angeles, California
October 8, 2021

VENICE COMMUNITY HOUSING CORPORATION
(A CALIFORNIA NONPROFIT CORPORATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31,

2020

Assets

Current assets

Cash and cash equivalents	\$ 4,180,095
Government contracts receivable	276,283
Contributions and grants receivable	34,407
Tenant accounts receivable, net	85,275
Prepaid expenses and other current assets	81,721
Deposits	25,335
Tenant security deposits	195,939
Total current assets	4,879,055

Restricted reserves	3,070,651
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Property, at cost

Land	11,971,837
Buildings and improvements	21,868,801
Equipment and furniture	733,017
Construction in progress and predevelopment costs	9,226,006
Total property, at cost	43,799,661
Less: accumulated depreciation	(9,575,037)
Property, net	34,224,624

Deferred costs, net	57,037
Investment in unconsolidated entity	250,000

Total assets	\$ 42,481,367
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See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION
(A CALIFORNIA NONPROFIT CORPORATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31,

2020

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 375,409
Construction and development costs payable	2,005,178
Prepaid rent	44,690
Deferred revenue	251,000
Accrued interest payable, current portion	35,859
Notes payable, current portion	275,347
Tenant security deposits	182,243

Total current liabilities	3,169,726
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Long-term liabilities

Notes payable, net of current portion and debt issuance costs	27,257,235
Accrued interest payable, net of current portion	1,895,857

Total long-term liabilities	29,153,092
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Total liabilities	32,322,818
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Commitments and contingencies (see Notes)

Net assets

Without donor restrictions

Controlling	3,881,890
Noncontrolling	6,082,515

Total net assets without donor restrictions	9,964,405
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With donor restrictions	194,144
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Total net assets	10,158,549
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Total liabilities and net assets	\$ 42,481,367
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See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION

(A CALIFORNIA NONPROFIT CORPORATION)

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**FOR THE YEAR ENDED DECEMBER 31,****2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Contributions and grants	\$ 739,052	\$ 200,000	\$ 939,052
Government contracts	1,603,736	-	1,603,736
Grant revenue - Paycheck Protection Program	441,197	-	441,197
Special events revenue	\$ 98,010		
Less: direct benefits to donors	<u>(1,170)</u>		
Cancellation of debt	84,000	-	84,000
Contribution of goods and services	27,447	-	27,447
Rental revenue	2,698,419	-	2,698,419
Interest income	1,186	-	1,186
Other revenue	79,578	-	79,578
Total public support and revenue	5,771,455	200,000	5,971,455
Net assets released from restrictions			
Satisfaction of time and program restrictions	295,564	(295,564)	-
Total revenue	6,067,019	(95,564)	5,971,455
Expenses			
Program services	4,949,817	-	4,949,817
General and administrative	776,296	-	776,296
Fundraising	370,000	-	370,000
Total expenses	6,096,113	-	6,096,113
Change in net assets (deficit)	(29,094)	(95,564)	(124,658)
Net assets, beginning of year	9,308,926	289,708	9,598,634
Contributions	739,573	-	739,573
Syndication costs	(55,000)	-	(55,000)
Net assets, end of year	\$ 9,964,405	\$ 194,144	\$ 10,158,549

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION
(A CALIFORNIA NONPROFIT CORPORATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31,

2020

	Program Activities				Supporting Activities			Total Expenses
	Youth Development	Affordable Housing	Resident Services	Program Subtotal	General and Administrative	Fundraising	Supporting Subtotal	
Expenses								
Bad debt expense	\$ -	\$ 19,134	\$ -	\$ 19,134	\$ -	\$ -	\$ -	\$ 19,134
Salaries, benefits, and taxes	431,730	1,077,728	403,977	1,913,435	485,180	289,036	774,216	2,687,651
Professional fees	31,994	78,584	4,470	115,048	89,953	3,479	93,432	208,480
Job training and supplies	71,799	69,227	10,857	151,883	153	689	842	152,725
Program expenses	3,986	224,652	7,167	235,805	557	717	1,274	237,079
Rent	28,835	64,872	42,386	136,093	77,770	175	77,945	214,038
Office and administration	12,556	58,966	12,612	84,134	99,693	16,673	116,366	200,500
Conference, training and travel	3,230	8,857	4,869	16,956	13,052	2,113	15,165	32,121
Management and tenant service fees	-	57,352	-	57,352	-	-	-	57,352
Fundraising and outreach	-	201	820	1,021	1,500	52,787	54,287	55,308
Maintenance and repairs	6,486	461,389	3,175	471,050	-	-	-	471,050
Utilities	-	408,025	1,750	409,775	5,160	-	5,160	414,935
Insurance, property tax, license and fees	24,764	204,080	16,232	245,076	3,278	5,501	8,779	253,855
Advertising	-	3,243	-	3,243	-	-	-	3,243
Abandoned project costs	-	40,736	-	40,736	-	-	-	40,736
Total before depreciation and interest expense	615,380	2,777,046	508,315	3,900,741	776,296	371,170	1,147,466	5,048,207
Interest expense and finance fees	-	489,490	-	489,490	-	-	-	489,490
Depreciation and amortization	-	559,586	-	559,586	-	-	-	559,586
Total expenses by function	615,380	3,826,122	508,315	4,949,817	776,296	371,170	1,147,466	6,097,283
Less expenses included with revenues:								
Cost of direct benefits to donors	-	-	-	-	-	(1,170)	(1,170)	(1,170)
Total expenses in the statement of activities	\$ 615,380	\$ 3,826,122	\$ 508,315	\$ 4,949,817	\$ 776,296	\$ 370,000	\$ 1,146,296	\$ 6,096,113

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION

(A CALIFORNIA NONPROFIT CORPORATION)

CONSOLIDATED STATEMENT OF CASH FLOWS**FOR THE YEAR ENDED DECEMBER 31,****2020****Cash flows from operating activities**

Change in net assets	\$ (124,658)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization expense	559,586
Amortization of debt issuance costs	9,927
Cancellation of debt	(84,000)
Changes in operating assets and liabilities:	
Government contracts receivable	38,205
Contributions and grants receivable	75,593
Tenant accounts receivable, net	(11,154)
Prepaid expenses and other current assets	(61,170)
Deposits	(3,700)
Accounts payable and accrued expenses	(87,986)
Prepaid rent	(42,780)
Deferred revenue	251,000
Accrued interest payable	232,108
Tenant security deposits, liability	7,147
Net cash provided by operating activities	758,118

Cash flows from investing activities

Expenditures for property	(4,646,702)
Investment in unconsolidated entity	(250,000)
Net cash used in investing activities	(4,896,702)

Cash flows from financing activities

Contributions	739,573
Syndication costs	(55,000)
Payment for debt issuance costs	(479,654)
Proceeds from notes payable	7,097,025
Repayment of notes payable	(1,770,346)
Net cash provided by financing activities	5,531,598

Net change in cash, cash equivalents, and restricted cash 1,393,014

Cash, cash equivalents, and restricted cash, beginning of year 6,053,671

Cash, cash equivalents, and restricted cash, end of year \$ 7,446,685

Supplemental disclosure of cash flow information:

Cash paid for:	
Interest, net of capitalized interest of \$298,965	\$ 230,652

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. ORGANIZATION

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.

VCHC wholly owns and operates the following:

- Westminster TLC is a 8-unit complex which provides interim housing for families experiencing homelessness.
- 511 Brooks Ave is a 4-unit complex which provides permanent housing for households with low incomes.
- 640 Westminster Ave is a 3-unit complex which provides permanent housing for households with low incomes.
- 920 6th Avenue is a 6-unit complex which provides permanent housing for households with low incomes.
- 204 Lincoln is a 13-unit complex which provides permanent supportive housing for people previously experiencing homelessness.
- 4216 Centinela is a 14-unit complex which provides supporting housing for people previously experiencing homelessness and other households with low incomes.
- 4816 Slauson is an 8-unit complex which provides permanent housing for households with low incomes.
- 5026 Slauson Ave is a 10-unit complex which provides permanent supporting housing for people previously experiencing homelessness.
- 5032 Slauson is an 8-unit complex which provides permanent housing for households with low incomes.

In addition, VCHC controls affordable housing affiliate entities (Affordable Housing Affiliates) consisting of limited partnerships, limited liability companies and WHC in which VCHC has both an economic interest and control of the organizations through a majority voting interest in their governing boards. Accordingly, the assets, liabilities, support, revenues and expenses of the following affiliated entities are consolidated in the financial statements of VCHC. Collectively, VCHC and its Affordable Housing

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Affiliates shall be referred to as the Organization. The following is a summary of limited liability companies (LLC) established to own up to a 1% general partner interest in Affordable Housing Affiliates:

General Partner	Affordable Housing Affiliates
720 Rose LLC	720 Rose, L.P.
VCHC Gateway, LLC	VCHC Gateway, L.P.
2471 Lincoln LLC	2471 Lincoln, LP

The following is a summary of Affordable Housing Affiliates and the consolidated ownership information as of December 31, 2020:

Affordable Housing Affiliates	Owner Interest	# of Units
Fourth Avenue Limited Partnership (Fourth Avenue)	100.00%	25
Horizon Apartments LLC (Horizon Apartments)	100.00%	20
Navy Blue Apartments Limited Partnership (Navy Blue)	100.00%	14
VCHC Pacific Apartments, LLC (Pacific)	100.00%	32
12525 Washington Place, L.P. (Washington Place)	100.00%	30
720 Rose, L.P.* (Rose) (Note 4)	0.01%	35
VCHC Gateway, L.P. (Gateway)	0.01%	21
2471 Lincoln, L.P.* (Lincoln)	100%	40
Total units		217

* Project was under construction or development in 2020.

Description of Programs The Organization improves the quality and affordability of housing in Los Angeles County by developing new apartments and rehabilitating existing properties. Organization properties are clustered in different parts of Los Angeles County and serve low-income households. The Organization also offers a variety of supportive services to low-income tenants of its properties and others.

- **Youth Development Program** VCHC's YouthBuild is a comprehensive program providing education, job training and leadership development services to out-of-school and out-of-work youth, ages 18-24. The students work towards earning their high school diploma or equivalent and job training certificates. The YouthBuild is a part of the national YouthBuild USA model.
- **Affordable Housing** VCHC owns and operates affordable and supportive housing in the Venice, Mar Vista and Del Rey neighborhoods of Los Angeles. VCHC also provides two interim housing programs for families and young adults experiencing homelessness, and provides the property management and maintenance services for all properties and programs. VCHC works to preserve and expand affordable housing through new construction and rehabilitation of existing housing.
- **Resident Services** VCHC's resident services program helps tenants achieve higher levels of self-sufficiency and economic and personal success. The Resident Services staff work to support tenants' needs and provide them with additional supportive services.

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting 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 VCHC, WHC, wholly owned and controlled affordable housing affiliates. The controlled affiliates are included in the consolidation in accordance with U.S. GAAP, which require that the partnership or company accounts be consolidated for all limited partnerships and limited liability companies which are deemed to be controlled by the Organization. All significant intercompany balances and transactions have been eliminated in consolidation. The noncontrolling interests in the consolidated limited partnerships are shown separately in the components of net assets.

Classes of Net Assets Net assets of the Organization and changes therein are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes have been classified and are reported as follows:

Net Assets Without Donor Restrictions:

- **Controlling** Net assets not restricted by donor-imposed stipulations and are available for use at the discretion of the board of directors and/or management for general operating purposes. 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. From time to time, the board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion (Note 5).
- **Noncontrolling** Net assets that represent the aggregate balance of the third party limited partners' equity interest, generally 99.99%, in the controlled limited partnerships that are included in the consolidated financial statements.

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 and the net assets are reclassified as net assets without donor restrictions and reported in the accompanying consolidated statement of activities and change in net assets as net assets released from restrictions.

Cash, Cash Equivalents, and Restricted Cash For purposes of the consolidated statement of financial position and statement of cash flows, cash and cash equivalents consist of cash and highly liquid unrestricted investments with an original maturity of three months or less when purchased.

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The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statement of financial position that sums to the totals of the same such amounts presented in the consolidated statement of cash flows:

As of December 31,	2020
Cash and cash equivalents	\$ 4,180,095
Restricted cash:	
Operating reserves	900,420
Replacement reserves	1,171,002
Security deposits	195,939
Other reserves	999,229
Cash, cash equivalents and restricted cash	\$ 7,446,685

Restricted Cash The Organization has set up certain operating, replacement, development and other reserve accounts and continues to make annual deposits as required by the various loan and regulatory agreements. In addition, restricted reserves also include tenant security deposits and development reserves restricted by lenders to be used for development purposes.

Accounts, Grants and Tenant Receivables Accounts and grants 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 an 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.

Tenants accounts receivable are reported net of an allowance for uncollectible accounts. Management's estimate of the allowance account is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2020, the allowance account totaled \$5,699. The Affordable Housing Affiliates report receivables net of an allowance for estimated uncollectible amounts.

Property Property, including projects under development, is stated at cost. Depreciation and amortization of building and building improvements, furniture and equipment are provided using the straight-line method over the following estimated useful lives:

Description	Life
Buildings and improvements	20 to 40 years
Equipment and furniture	5 – 7 years

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 including, interest, property tax and insurance 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. Capitalized interest amounted to \$296,391 for the year ended December 31, 2020.

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The Organization reviews its property for impairment whenever events or 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 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 loss has been recognized during the year ended December 31, 2020.

Predevelopment Project Costs VCHC 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 has three low-income housing predevelopment projects as of December 31, 2020, that are located at 116-302 N. Venice Boulevard, 2471 Lincoln Boulevard, and 2219 Marian Place. VCHC 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 property in the accompanying consolidated statement of financial position. Abandoned projects are expensed when management determines the project is not feasible. At December 31, 2020, the Organization had abandoned project costs of \$40,736.

Deferred Costs Deferred costs consist of California Tax Credit Allocation Committee (TCAC) monitoring fees, which are amortized over 10-15 years, and marketing and lease-up, compliance monitoring costs and land lease costs which are amortized over one to 55 years. Deferred costs are as follows:

At December 31,			2020
Marketing and tax credit fees	1 to 10 years	\$	51,936
Monitoring fees	15 years		7,935
Land lease costs	53 years		68,333
			128,204
Less: accumulated amortization			(71,167)
Net deferred costs		\$	57,037

Debt Issuance Costs Debt issuance costs, net of accumulated amortization, 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 recorded 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 and development.

Deferred Revenue Deferred revenue consists of a prepayment of rent in the amount of \$251,000 received by the Organization in connection with an easement lease. The easement lease was entered into in December 2020 and will be amortized to rental revenue over the lease term.

Public Support and Revenue Recognition The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Any funds received in advance of a condition being met are recorded as a liability.

The Organization receives cost-reimbursable contract and grant funding from state and local agencies for providing permanent housing and supportive services which are conditioned upon certain

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performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring the qualifying expenditures are reported as a liability.

Revenue from rental property is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Organization and its tenants are operating leases. Included in rental revenue is other income from laundry, vending and miscellaneous charges to tenants. Such other income is recognized when earned.

Revenue from special events include individual and corporate contributions and are recognized when the event is held. The related expenses are recognized on the date of the event. 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 the related direct expenses are included in events expense in the accompanying consolidated statement of activities and change in net assets.

Revenue from program service fees, including partnership project management fees, is recognized over time as services are performed.

Developer fees are recognized over the development period under a percentage of completion method based on the development costs incurred as a percentage of the total development costs expected. Amounts not received by the completion date are recorded as a receivable. The gross profit on developer fees earned from Affordable Housing Affiliates is eliminated in consolidation. Management determines the gross profit on developer fees based on project costs which include consultants, internal salaries and benefits, overhead and other non-reimbursed costs.

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 reported amounts of revenues and expenses during the reporting period. Such estimates include the treatment of contingent interest to be forgiven if the properties comply with loan requirements, and the allocation of functional expenses. Actual results may differ from those estimates.

Contributed Goods and Services Contributed goods and services are recorded as contributions at their estimated fair values at the date of donation. 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. For the year ended December 31, 2020, the Organization has received \$27,447 contributed goods or services.

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 consolidated statement of functional expenses. Expenses that are directly attributable to a specific functional classification of the Organization 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.

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DECEMBER 31, 2020

The functional classifications are defined as follows:

- Program service expenses consist of costs incurred in connection with providing services and conducting programs.
- General and administrative expenses consist of costs incurred in connection with the overall activities, which are not allocable to another functional expense category.
- Fundraising expenses consist of costs incurred in connection with activities related to obtaining grants and 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. For the year ended December 31, 2020, no provision for unrelated business income taxes has been made.

Income taxes on limited partnership and limited liability company income are 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 limited partnership or limited liability company and is 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. However, the limited partnerships and the limited liability companies are required to pay an \$800 fee to the California Franchise Tax Board. The Organization determined there are no tax positions which must be considered for disclosure. With few exceptions, the Organization is no longer subject to income tax examinations by tax authorities for years before 2016. There are no current tax examinations pending.

Concentrations of Business and Credit Risk VCHC, either as a direct owner or general partner, has an economic interest in real estate projects (Projects). The Projects rent to residents of Los Angeles County with qualifying levels of income who live in the Los Angeles area and/or to people who receive public assistance. The Projects are subject to business risks associated with the economy and level of unemployment in California and available subsidies, which affect occupancy as well as the tenants' ability to make rental payments.

In addition, the Projects operate in a heavily regulated environment. The operations of the Projects are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, TCAC and the Department of Housing and Urban Development (HUD). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

The Organization's revenues are derived from several sources. During 2020, approximately 17% of revenue is from contributions and grants from non-governmental sources; 34% from fees charged to government agencies; and 45% from rental operations. For the year ended December 31, 2020, the Organization had no private grants, which accounted for more than 10% of its public support and revenues.

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VCHC provides advances to affiliates involved in the development of affordable housing projects and has deferred receipt of partnership management fees from affiliates. Such advances and fees are unsecured and realization of fees is dependent upon the success of these projects. The advances and fees have been eliminated in consolidation.

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.

Property Tax Exemption The Projects are generally exempt from real property taxes for the residential portion of its affordable housing real estate properties. In the event such exemption is not renewed or no longer available, the Projects' cash flow would be negatively impacted.

Investment in Unconsolidated Entity The Organization holds an investment in a limited liability company that is not consolidated as it is not controlled by the Organization. The Organization's investment is increased for its share of profits and contributions, and reduced by distributions and its share of losses. The Organization evaluates its investment 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. During 2020, VCHC made a contribution of \$250,000 which is reflected as investment in unconsolidated entity in the accompanying consolidated statement of financial position.

New Accounting Standards In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09) providing new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Organization adopted the new revenue recognition guidance as of January 1, 2020 using the modified retrospective method of transition for all contracts that were not completed as of that date. Adoption of the new revenue recognition guidance resulted in no significant changes in the way the Organization recognized revenue and therefore no changes to the previously issued audited consolidated financial statements were required on a retrospective basis.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This 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 statement of financial position 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 standard is effective for annual reporting periods beginning after December 15, 2020 and was subsequently amended with ASU 2020-05, *Revenue from Contracts with Customers and Leases: Effective Dates for Certain Entities*, allowing deferral to reporting periods beginning after December 15, 2021. The use of either the retrospective or cumulative effect transition method is permitted. The Organization is currently evaluating the impact the adoption of ASU 2016-02 on January 1, 2022 will have on its consolidated financial statements.

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3. MORTGAGE NOTES PAYABLE

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

December 31,	2020
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VCHC:

650 Westminster Avenue:

Note payable to the County of Los Angeles, Housing Authority, in the original amount of \$20,000, secured by a deed of trust on real property, bearing interest at 3.0% per annum. Payable in annual installments of principal and interest based on residual receipts, until all amounts have been paid in full, due March 2021. Subject to forgiveness provisions of principal and interest at end of the note's 28-year term. The loan was forgiven on March 25, 2021.

\$ 20,000

640 Westminster Avenue:

Note payable to the City of Los Angeles (City) in the original amount of \$300,000, secured by a deed of trust on real property, bearing interest at 3.0% per annum. Payable in annual installments of principal and interest based on residual receipts, until all amounts have been paid in full, due January 2034. Interest incurred during 2020 was \$9,000 and as of December 31, 2020, accrued interest totaled \$157,005.

300,000

920 6th Avenue:

Note payable to Chase Bank, in the original amount of \$168,000, secured by a deed of trust on real property and replacement reserve account, bearing interest at 8.21% per annum, payable in monthly installments of principal and interest of \$1,257, due March 2028.

82,226

Note payable to the City in the original amount of \$46,000 secured by a deed of trust on real property, non-interest bearing, principal deferred for the 20-year term, due August 2018, loan extension currently in process with the City.

46,000

200 Lincoln Boulevard/4216 Centinela Avenue:

Note payable to Local Initiatives Support Corporation (LISC), in the original amount of \$1,710,279, secured by a deed of trust on real property, bearing interest at 5.25% per annum, with interest only paid monthly through March 2019. Thereafter, monthly installment of principal and interest due beginning April 1, 2019, over a period of nineteen years, all outstanding principal and unpaid interest due March 2038.

1,578,225

2471 Lincoln:

Note payable to LISC, in the original amount of \$4,424,994, secured by a deed of trust on real property, bearing interest at 5.25% per annum, with interest only paid monthly, all outstanding principal and unpaid interest due September 2022.

3,254,080

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DECEMBER 31, 2020

December 31,	2020
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Other:

<p>Note payable to Nonprofit Finance Fund (NFF), borrowings up to \$500,000, unsecured, annual interest at 5.50% to be used for interim financing for properties in predevelopment. Interest only payable in monthly installments, principal and any accrued interest all due June 2023, subject to possible loan extension provisions. At December 31, 2020, \$463,516 was available for borrowing.</p>	36,484
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<p>Note payable to Supportive Housing Solutions Fund LLC, for the predevelopment costs of 116-302 Venice Blvd, in the amount up to \$3,273,000, secured by a deed of trust on real property on 511 Brooks Avenue, bearing interest at 6% per annum, paid monthly from lender's interest holdback reserve. All unpaid principal and accrued interest due the earlier of the receipt of construction financing or December 2022.</p>	1,640,271
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<p>Note payable to the Congregation of the Sisters of Charity of the Incarnate Word, in the original amount of \$250,000, unsecured, bearing interest at 1% per annum, payable in annual installments of interest only, principal and unpaid accrued interest was due February 2020. In February 2020, the \$250,000 promissory note was repaid. Subsequently, in July 2020 a new unsecured promissory note payable to the Congregation of the Sisters of Charity of the Incarnate Word, in the amount of \$250,000 was executed. The note bears interest at 1% per annum, payable in annual installments of interest only, principal and unpaid accrued interest due July 2024.</p>	250,000
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	7,207,286
Less: unamortized debt issuance costs	(85,283)

VCHC Total	7,122,003
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Affordable Housing Affiliates:

<p>Two amortizing notes payable to various lenders, secured by deeds of trust on real property, bearing interest ranging from 4.32% to 4.93% per annum, principal and interest due December 2026 and March 2028, respectively.</p>	405,174
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<p>Note payable to Sun West Mortgage Company Inc., 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 on real property 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.</p>	2,121,367
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December 31,**2020**

Note payable to the U.S. Bank National Association, 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 20-year period commencing September 1, 2012 and amortizing at a rate of \$37,500 per year due September 2034. In 2020, due to Covid-19 pandemic, the City did not have resources to verify the services provided and therefore delayed the debt payment to the following year

471,875

Construction note to Bank of America, pursuant to the construction loan agreement with maximum borrowings of \$11,603,010, secured by a deed of trust, assignment of leases, security agreement and fixture filing, variable interest equal to the annual LIBOR plus 200 basis point (3% at December 31, 2020), interest only payable monthly to be converted to a permanent loan with principal and unpaid interest all due upon the permanent loan conversion date on or before October 29, 2022. The loan will be converted to an amortizing permanent loan in an amount not to exceed \$1,625,000 that will mature 20 years from the construction loan closing.

3,136,813

Eleven non-amortizing notes payable to various lenders secured by deeds of trust on real property, interest ranging from zero to 5% per annum, certain notes payable based on residual receipts, as defined, until all amounts have been paid in full, due date ranging from July 2024 to December 2069. Certain notes subject to interest forgiveness provisions.

14,961,858

21,097,087

Less: unamortized debt issuance costs

(686,508)

Affordable Housing Affiliates Total

20,410,579

Total notes payable

28,304,373

Less: unamortized debt issuance costs

(771,791)

Subtotal

27,532,582

Less: current portion

(275,347)

Total, noncurrent portion

\$ 27,257,235

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

Year ending December 31,	VCHC	Affordable Housing Affiliates	Total
2021	\$ 132,750	\$ 142,597	\$ 275,347
2022	4,958,454	1,658,437	6,616,891
2023	103,938	150,813	254,751
2024	252,024	847,176	1,099,200
2025	75,010	159,716	234,726
Thereafter	1,685,110	18,138,348	19,823,458
Total	\$ 7,207,286	\$ 21,097,087	\$ 28,304,373

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An analysis of notes payable and accrued interest for 2020 is as follows:

	Current Portion	Noncurrent Portion	Principal Balance as of 12/31/2020	Accrued Interest as of 12/31/2020
VCHC:				
Amortizing	\$ 66,750	\$ 1,618,010	\$ 1,684,760	\$ 19,852
Non-amortizing	66,000	5,456,526	5,522,526	157,005
Total VCHC	\$ 132,750	\$ 7,074,536	\$ 7,207,286	\$ 176,857
Affordable Housing Affiliates:				
Amortizing	51,906	353,268	405,174	2,256
Supportive services	37,500	434,375	471,875	-
HUD secured loan	53,191	2,068,176	2,121,367	5,385
Construction loan	-	3,136,813	3,136,813	8,366
Non-amortizing	-	14,961,858	14,961,858	1,738,852
Total Affordable Housing Affiliates	142,597	20,954,490	21,097,087	1,754,859
Total	\$ 275,347	\$ 28,029,026	\$ 28,304,373	\$ 1,931,716

Contingent Interest Regulatory agreements with the City provide for possible forgiveness of interest on the Navy Blue note payable of \$692,000, the Fourth Avenue mortgage payable of \$1,250,000 and the Washington Place mortgage payable of \$1,500,000. At the end of the notes' 40-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 notes have not been accrued in the accompanying consolidated financial statements because the future fair market value of each property at loan maturity is not expected to be sufficient.

The following is a schedule of contingent interest that could be due if the fair value of the property is sufficient:

At December 31,	2020
Navy Blue	\$ 561,000
Fourth Avenue	1,430,000
Washington Place	1,541,000
Total	\$ 3,532,000

The deferral provisions as stipulated in the regulatory agreements remain in effect only as long as each property is operated and maintained as low-income housing and the limited partnerships comply with various other provisions of the agreements. In the event that each property is not maintained as low-income housing, or if there are other material violations of the regulatory agreements, the mortgage notes become 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 regulatory agreements.

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VCHC is a party in note agreements between the City and certain Affordable Housing Affiliates in which VCHC is a conduit for proceeds directly loaned to the Affordable Housing Affiliates, to support the acquisition, predevelopment, construction and permanent costs. The City loans are secured by the Affordable Housing Affiliates' assets; however, VCHC remains obligated to repay the debt in the event those entities are unable to meet their obligation. As of December 31, 2020, there was no default related to these loans. The following is the list of the Affordable Housing Affiliates and respective loan balances whereby VCHC is liable if the partnerships are unable to repay the debt:

At December 31,	Loan Amount	Maturity Date
Fourth Avenue	\$ 1,250,000	August 2036
Washington Place	1,500,000	October 2026
Total	\$ 2,750,000	

4. RELATED PARTY TRANSACTIONS

In the ordinary course of its operations, VCHC has significant related party transactions with affiliates. Such transactions provide a substantial amount of funding in connection with the development of affordable housing projects.

Management and Other Fees Revenue VCHC earns management fees, tenant resident service fees, and accounting fees in connection with services rendered to the Affordable Housing Affiliates under various terms and provisions. Such fees are eliminated in consolidation.

Sale of Property In April 2020, VCHC sold property previously utilized as the Organization's headquarters to 720 Rose, L.P., an Affordable Housing Affiliate in which VCHC is the general partner and a third party is the investor limited partner, for the purpose of developing, constructing and operating a 35-unit low-income housing rental project and commercial space. Construction on the property is expected to be completed in December 2021, at which time VCHC will enter into a lease agreement with 720 Rose, L.P. for the rental of the commercial space for the Organization's new office facilities.

5. NET ASSETS

The following is a summary of consolidated net assets of the Organization as of December 31, 2020:

	Without donor restrictions		With Donor	
	Controlling Interest	Non-controlling Interest	Restrictions	Total
Net assets, January 1, 2020	\$ 3,609,947	\$ 5,698,979	\$ 289,708	\$ 9,598,634
Release from donor restrictions	295,564	-	(295,564)	-
Contributions	-	739,573	-	739,573
Syndication	-	(55,000)	-	(55,000)
Change in net assets (deficit)	(23,621)	(301,037)	200,000	(124,658)
Net assets, December 31, 2020	\$ 3,881,890	\$ 6,082,515	\$ 194,144	\$ 10,158,549

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	2020
Net assets without donor restrictions - controlling	
Board designated	\$ 621,000
Undesignated	3,260,890
Total net assets without donor restrictions - controlling	\$ 3,881,890

Undesignated net assets are available for any purpose within the scope of the Organization's activities. Board designated net assets are appropriated by the Board of Directors for a specific activity and could be changed only by action of the Board.

Donor restricted net assets are available for the following purposes:

Net Assets with Donor Restrictions

	Available January 1, 2020	New Revenues, Net	Releases	Available December 31, 2020
Subject to expenditure for special purposes:				
Community development programs	\$ 129,708	\$ -	\$ (68,897)	\$ 60,811
Resident services	100,000	-	(100,000)	-
	229,708	-	(168,897)	60,811
Subject to passage of time:				
General operating support	60,000	200,000	(126,667)	133,333
	60,000	200,000	(126,667)	133,333
Total net assets with donor restrictions	\$ 289,708	\$ 200,000	\$ (295,564)	\$ 194,144

6. LIQUIDITY AND AVAILABILITY

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets without donor restrictions or other restrictions limiting their use that can be readily made available within one year of the consolidated statement of financial position date, comprise the following:

At December 31,	2020
Financial assets:	
Cash, cash equivalents and restricted cash	\$ 7,446,685
Government contracts receivable	276,283
Contributions and grants receivable	34,407
Tenant accounts receivable, net	85,275
Total financial assets	7,842,650
Amounts not available for general expenditure:	
Restricted cash	(3,266,590)
Financial assets with donor restrictions	(194,144)
Board designated funds	(621,000)
Financial assets not available to be used within one year	(4,081,734)
Financial assets available to meet general expenditures within one year	\$ 3,760,916

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As part of liquidity management, the board approved an organizational operating reserve fund that could be made available for current use with board approval. Restricted cash, although restricted for purpose, can be utilized to cover salaries and other operating costs as restrictions are met. In addition, the Organization maintains an operating note for additional liquidity (Note 3).

The Affordable Housing Affiliates have been established to develop and operate affordable housing. As a result, the Affordable Housing Affiliates have been structured in such a way to be self-sufficient regarding their liquidity needs. In the event of unplanned liquidity needs over and above that which is provided by their operations, they have access to cash reserves, reported as restricted cash, subject to lender and limited partner withdrawal approval. Included in financial assets available to meet general expenditures within one year are Affordable Housing Affiliates cash and cash equivalents which are available for general operation. In addition, in the normal course of business while under development, the Affordable Housing Affiliates rely on receiving funds from non-recourse permanent loan commitments and limited partner capital contributions. In the event the Affordable Housing Affiliates are unable to meet their liquidity needs, VCHC has provided limited guaranties to fund operating deficits (Note 8). As of December 31, 2020, the Organization's management believes they have sufficient liquidity available to meet its obligations for the coming year.

7. RETIREMENT PLAN

Employees may participate in an Internal Revenue Code section 403(b) retirement savings plan, established by VCHC. The plan is funded solely by employee contributions to the plan, pursuant to a salary reduction agreement. All employee contributions are immediately vested.

8. COMMITMENTS AND CONTINGENCIES

Operating Leases During construction of its new facilities, VCHC is temporarily leasing its offices through August 2021 under an operating lease requiring monthly rent payment of \$5,750. VCHC also leases additional program space through an operating lease which expired July 31, 2021. The program space lease agreement requires monthly rent payment of \$6,000, increasing 6% per annum throughout the lease term. In August 2021, the program space lease was extended to July 31, 2023 and requires monthly rent payments of \$7,146, increasing 5% per annum throughout the lease term. In addition, VCHC leases storage space on a month-to-month basis at the rate of \$1,600 per month. In January 2020, VCHC entered into a lease with The Chrysalis Center for additional office space. The operating lease term is on a month-to-month basis with monthly rent payments of \$3,700.

VCHC also leases office photocopying equipment under various operating lease agreements. Gross minimum monthly required lease payments are \$334 through February 2024 and then \$229 through September 2024.

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Rent expense totaled \$214,038 for the year ended December 31, 2020. The future minimum rental payments under the operating leases are summarized as follows:

Year ending December 31,	Amount
2021	\$ 127,738
2022	89,760
2023	54,030
2024	2,271
Total	\$ 273,799

Guaranties VCHC, as the General Partner in various Affordable Housing Affiliates has entered into certain guarantees with the Investor Limited Partner regarding construction completion, initial operating, and tax credit guaranties, as defined in the Partnership Agreements, including the following:

Operating Deficit Guaranty VCHC has entered into various agreements with certain limited partnerships or their affiliated general partners whereby VCHC 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 dates through the terms of the underlying partnership or debt agreements. Loans made pursuant to these guarantees are generally interest-free and unsecured. Generally, 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.

Credit Recapture Guaranty In the event of a recapture of tax credits received by an investor limited partner, VCHC shall be obligated to reimburse the investor limited partner for any recaptured credits plus any related penalties, interest or additional taxes due. VCHC is not obligated to reimburse if the recapture is due to a change in law or actions by the limited partners. As of December 31, 2020, no amounts were due under this guaranty.

VCHC's participation in the Affordable Housing Affiliate limited partnerships results in contingent liabilities. Pursuant to the terms of the partnership agreements, the limited partners are responsible only for initial capital contributions. As a result, VCHC may be required to arrange for additional funds related to any rehabilitation or operating needs of the partnerships. VCHC may also be subject to other liabilities of the partnerships if the partnership's assets should become insufficient to meet their obligations. In the opinion of management, the future revenues and the value of underlying assets of these partnerships will be sufficient to meet their obligations.

The properties owned and operated by the Organization are typically developed using monies provided by restrictive, low-interest rate loans. The terms of these loans restrict the use of the property and generally require that it be rented to low-income qualified tenants for the period of the related loan term. Failure to comply with the terms of the loans would result in a requirement to repay a portion or the entire amount of proceeds received.

The deferral provisions as stipulated in the regulatory agreements for the above loans remain in effect only as long as the properties are operated and maintained as low-income housing and the properties' comply with various other provisions of the agreements. In the event that the properties are not maintained as low-income housing, or if there are other material violations of the regulatory agreements the mortgage notes become 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 agreements.

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Horizon VCHC was awarded a recoverable subsidy grant from the City of Los Angeles Housing Authority, under the Continuum of Care Program, in connection with the rental operations at the Horizon housing project. 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 revenue in the accompanying consolidated financial statements.

Navy Blue Ground Lease Navy Blue leases the land underlying the project from the City 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 project 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 believes the fair market value of the property will not be sufficient, and accordingly, no amounts have been accrued in the accompanying consolidated financial statements.

As of December 31, 2020, no rental 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.

Litigation The Organization is subject to lawsuits and claims which 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 financial position or changes in net assets of the Organization.

Effects of the COVID-19 Outbreak During 2020, there was a global outbreak of a new strain of coronavirus, COVID-19. The global and domestic response to the COVID-19 outbreak continues to rapidly evolve. To date, certain responses to the COVID-19 outbreak have included mandates from federal, state and/or local authorities to mitigate the spread of the virus, which have adversely impacted global commercial activity and have contributed to significant volatility in financial markets. While the majority of the Organization's employees have been classified as essential workers and have experienced little impact related to COVID-19, certain of the Organization's administrative and support staff have been required to work remotely as a result of various governmental mandates. The Organization's management continues to gather information in response to the COVID-19 pandemic and the possible impact to the Organization's cash flow. Management is adjusting its operations accordingly and will continue to assess and monitor the situation as it evolves. Although the Organization has received financial support, the ultimate impact to the financial condition, results of operations and cash flows of the Organization is unknown.

PPP Loan The Organization was granted a \$441,197 loan under the Paycheck Protection Program (PPP) administered by a Self-Help Federal Credit Union. The loan and accrued interest are eligible for forgiveness if the Organization maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. The Organization initially recorded the loan as a deferred grant and determined as of December 31, 2020, that all conditions for the forgiveness of the loan had been met in accordance with the guidance for conditional contributions. Since the conditional contribution terms were met in the same period the contributions were received, the Organization has recognized the contribution in the accompanying consolidated statement of activities and change in net

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assets as an increase in net assets without donor restrictions. In November 24, 2020, the loan was forgiven for the entirety of the principal and the interest.

In addition, in February 2021, VCHC received a second PPP loan in the amount of \$580,576. During 2021, the Organization will apply for full forgiveness of the loan (principal and interest).

9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events that have occurred through the independent auditor's report date, which is the date these 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 3, 8, and below.

- In February 2021, 845 Venice LLC, a single member LLC, was formed to acquire, construct and operate an affordable housing property known as Marian Place located in Los Angeles, California. The acquisition closed on June 10, 2021 and 845 Venice LLC will own up to a 1% general partner interest when the partnership forms and the Organization will be the limited partner.
- In April 2021, LCLT Capacity Building LLC (LCLT), a single member LLC, was formed to acquire, construct and operate affordable housing. On May 24, 2021, LCLT closed on two properties located in Los Angeles, California. The acquisitions were financed by a note payable to the Los Angeles County Housing Authority and the Organization received grant funds from the Community Development Commission of Los Angeles on August 26, 2021.
- During 2021, VCHC launched a capital campaign whereby proceeds raised will be used to provide a \$700,000 general partner contribution for the rehabilitation of the Marian Place development and \$135,000 for the rehabilitation of Westminster TLC - Venice.
- In June 2021, VCHC was informed that the U.S. Department of Labor for YouthBuild program funding will cease effective September 2022. The YouthBuild funding during 2020 totaled \$480,752, which accounted for more than 10% of total public support and revenue.

SUPPLEMENTARY INFORMATION

VENICE COMMUNITY HOUSING CORPORATION
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION

	VCHC	Affordable Housing Affiliates	Elimination Adjustments	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 3,823,284	\$ 356,811	\$ -	\$ 4,180,095
Government contracts receivable	276,283	-	-	276,283
Contributions and grants receivable	34,407	10,264	(10,264)	34,407
Tenant accounts receivable, net	30,224	55,051	-	85,275
Prepaid expenses and other assets	70,424	19,379	(8,082)	81,721
Total current assets	4,234,622	441,505	(18,346)	4,657,781
Tenant security deposits	72,383	123,556	-	195,939
Restricted property reserves	84,834	2,985,817	-	3,070,651
Deposits	15,625	9,710	-	25,335
Due from affiliates	413,615	-	(413,615)	-
Deferred costs, net	-	57,037	-	57,037
Investments	45,208	-	204,792	250,000
Property, net	8,517,884	26,291,471	(584,731)	34,224,624
Notes receivable	1,250,000	-	(1,250,000)	-
Total assets	\$ 14,634,171	\$ 29,909,096	\$ (2,061,900)	\$ 42,481,367
Liabilities and Net Assets				
Liabilities				
Current liabilities				
Accounts payable	\$ 311,089	\$ 81,611	\$ (17,291)	\$ 375,409
Construction costs payable	35,507	1,969,671	-	2,005,178
Prepaid rent	3,856	40,834	-	44,690
Deferred revenue	251,000	-	-	251,000
Accrued interest payable	19,852	16,007	-	35,859
Notes payable	132,750	142,597	-	275,347
Tenant security deposits	58,376	123,867	-	182,243
Due to affiliates	-	837,557	(837,557)	-
Total current liabilities	812,430	3,212,144	(854,848)	3,169,726
Long-term liabilities				
Notes payable, net of current portion and debt issuance costs	8,239,253	20,267,982	(1,250,000)	27,257,235
Accrued interest payable, net of current position	157,005	1,738,852	-	1,895,857
Total long-term liabilities	8,396,258	22,006,834	(1,250,000)	29,153,092
Total liabilities	9,208,688	25,218,978	(2,104,848)	32,322,818
Commitments and contingencies (Note 15)				
Net assets				
Controlling	5,231,339	808,228	42,948	6,082,515
Noncontrolling	-	3,881,890	-	3,881,890
Total net assets without donor restrictions	5,231,339	4,690,118	42,948	9,964,405
With donor restriction	194,144	-	-	194,144
Total net assets	5,425,483	4,690,118	42,948	10,158,549
Total liabilities and net assets	\$ 14,634,171	\$ 29,909,096	\$ (2,061,900)	\$ 42,481,367

See independent auditor's report.

VENICE COMMUNITY HOUSING CORPORATION

(A CALIFORNIA NONPROFIT CORPORATION)

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

	VCHC	Affordable Housing Affiliates	Elimination Adjustments	Total
Public support and revenues				
Contributions and grants	\$ 1,037,062	\$ -	\$ -	\$ 1,037,062
Government contracts	1,603,736	-	-	1,603,736
Grant revenue - Paycheck Protection Program	441,197	-	-	441,197
Forgiveness of debt	84,000	-	-	84,000
Contribution of goods and services	27,447	-	-	27,447
Management and developer fee	1,150,745	10,264	(1,161,009)	-
Rental income	903,087	1,795,332	-	2,698,419
Interest income	1,186	-	-	1,186
Other income	107,146	18,811	(46,379)	79,578
Satisfaction of time and program restrictions				-
Total public support and revenues	5,355,606	1,824,407	(1,207,388)	5,972,625
Expenses				
Bad debt expense	2,823	16,311	-	19,134
Salaries, benefits, and taxes	2,755,585	441,042	(508,976)	2,687,651
Professional fees	129,914	78,566	-	208,480
Job training and supplies	152,725	-	-	152,725
Program expenses	237,079	-	-	237,079
Rent	214,038	-	-	214,038
Office and administration	186,611	118,601	(104,712)	200,500
Conference, training and travel	32,121	-	-	32,121
Management and tenant service fees	-	199,964	(142,612)	57,352
Fundraising and outreach	55,308	-	-	55,308
Maintenance and repairs	221,638	249,412	-	471,050
Utilities	150,636	264,299	-	414,935
Insurance, property tax and license and fees	138,411	115,444	-	253,855
Advertising	3,175	68	-	3,243
Abandoned project costs	40,736	-	-	40,736
Interest expense and finance fees	102,616	386,874	-	489,490
Depreciation and amortization	77,097	484,989	(2,500)	559,586
Total expenses	4,500,513	2,355,570	(758,800)	6,097,283
Change in net assets (deficit)	855,093	(531,163)	(448,588)	(124,658)
Net assets, beginning of year	4,570,390	4,746,688	281,556	9,598,634
Contributions	-	754,573	(15,000)	739,573
Distributions	-	(5,188)	5,188	-
Syndication costs	-	(55,000)	-	(55,000)
General Partner - excess over carry over basis	-	(219,792)	219,792	-
Net assets, end of year	\$ 5,425,483	\$ 4,690,118	\$ 42,948	\$ 10,158,549

See independent auditor's report.