VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES

(A CALIFORNIA NONPROFIT CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021 AND 2020

HCVT

HOLTHOUSE | CARLIN | VAN TRIGT LLP

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Venice Community Housing Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Venice Community Housing Corporation and Affiliates (the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Venice Community Housing Corporation and Affiliates as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the 2020 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 as of December 31, 2020, and for the year then ended, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adjustments to Prior Period Consolidated Financial Statements

As discussed in Note 10 to the consolidated financial statements, certain errors resulting in the understatement of amounts previously reported for accrued interest and interest expense for 12525 Washington Place, LP (Washington Place), an affordable housing affiliate, as of December 31, 2020, were discovered during the current year. Accordingly, amounts reported for accrued interest and interest expense have been restated in the 2020 consolidated financial statements now presented, and an adjustment has been made to net assets as of December 31, 2020, to correct the error. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I and II is presented for purposes of additional analysis and 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Holthouse Carlin & Van Trigt LLP

Los Angeles, California
July 26, 2022

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31,	2021	2020 (as restated)
Assets		
Current assets		
Cash and cash equivalents	$ 4,436,607	$ 4,180,095
Government contracts receivable	431,959	276,283
Contributions and grants receivable	24,427	34,407
Tenant accounts receivable, net	157,296	85,275
Prepaid expenses and other current assets	61,564	81,721
Deposits	128,063	25,335
Tenant security deposits	231,639	195,939
Total current assets	5,471,555	4,879,055
Restricted cash	3,456,960	3,070,651
Property, at cost		
Land	20,803,138	11,971,837
Buildings and improvements	22,022,909	21,868,801
Equipment and furniture	743,692	733,017
Construction in progress and predevelopment costs	20,984,314	9,226,006
Total property, at cost	64,554,053	43,799,661
Less: accumulated depreciation	(10,190,951)	(9,575,037)
Property, net	54,363,102	34,224,624
Deferred costs, net	51,915	57,037
Investment in unconsolidated entity	250,000	250,000
Total assets	$ 63,593,532	$ 42,481,367

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES

(A CALIFORNIA NONPROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31,	2021	2020 (as restated)
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 333,701	$ 375,409
Construction and development costs payable	3,960,118	2,005,178
Prepaid rent	37,995	44,690
Deferred revenue	1,643,725	251,000
Accrued interest payable, current portion	15,052	35,859
Notes payable, current portion	10,765,515	275,347
Tenant security deposits	190,505	182,243
Due to affiliates	2,000	-
Total current liabilities	16,948,611	3,169,726
Long-term liabilities		
Notes payable, net of current portion and debt issuance costs	31,919,798	27,257,235
Accrued interest payable, net of current portion	3,819,121	3,437,278
Total long-term liabilities	35,738,919	30,694,513
Total liabilities	52,687,530	33,864,239
Commitments and contingencies (see Notes)		
Net assets		
Without donor restrictions		
Controlling	3,229,788	2,340,469
Noncontrolling	5,734,478	6,082,515
Total net assets without donor restrictions	8,964,266	8,422,984
With donor restrictions	1,941,736	194,144
Total net assets	10,906,002	8,617,128
Total liabilities and net assets	$ 63,593,532	$ 42,481,367

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES

(A CALIFORNIA NONPROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31,

		2021				2020 (as restated)		
		Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue								
Contributions and grants		$ 1,382,893	$ 135,000	$ 1,517,893		$ 739,052	$ 200,000	$ 939,052
Contribution of property		-	1,850,000	1,850,000		-	-	-
Government contracts		1,403,134	-	1,403,134		1,603,736	-	1,603,736
Grant revenue - Paycheck Protection Program		580,576	-	580,576		441,197	-	441,197
Special events revenue	$ 325,028				$ 98,010			
Less: direct benefits to donors	(9,625)	315,403	-	315,403	(1,170)	96,840		96,840
Cancellation of debt		20,000	-	20,000		84,000	-	84,000
Contribution of goods and services		-	-	-		27,447	-	27,447
Rental revenue		2,784,494	-	2,784,494		2,698,419	-	2,698,419
Interest income		3,504	-	3,504		1,186	-	1,186
Other revenue		43,902	-	43,902		79,578	-	79,578
Total public support and revenue		6,533,906	1,985,000	8,518,906		5,771,455	200,000	5,971,455
Net assets released from restrictions								
Satisfaction of time and program restrictions		237,408	(237,408)	-		295,564	(295,564)	-
Total revenue		6,771,314	1,747,592	8,518,906		6,067,019	(95,564)	5,971,455
Expenses								
Program services		5,119,568	-	5,119,568		5,007,605	-	5,007,605
General and administrative		760,739	-	760,739		776,296	-	776,296
Fundraising		349,725	-	349,725		370,000	-	370,000
Total expenses		6,230,032	-	6,230,032		6,153,901	-	6,153,901
Change in net assets (deficit)		541,282	1,747,592	2,288,874		(86,882)	(95,564)	(182,446)
Net assets (deficit), beginning of year		8,422,984	194,144	8,617,128		9,308,926	289,708	9,598,634
Prior period adjustment (Note 10)		-	-	-		(1,483,633)	-	(1,483,633)
Net assets, beginning of year, as restated		8,422,984	194,144	8,617,128		7,825,293	289,708	8,115,001
Contributions		-	-	-		739,573	-	739,573
Syndication costs		-	-	-		(55,000)	-	(55,000)
Net assets, end of year		$ 8,964,266	$ 1,941,736	$ 10,906,002		$ 8,422,984	$ 194,144	$ 8,617,128

See accompanying notes to consolidated financial statements

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Activities				Supporting Activities			
	Youth Development	**Affordable Housing**	**Resident Services**	**Program Subtotal**	**General and Administrative**	**Fundraising**	**Supporting Subtotal**	**Total Expenses**
Expenses								
Bad debt expense	$ -	$ 12,470	$ -	$ 12,470	$ -	$ -	$ -	$ 12,470
Salaries, benefits, and taxes	624,966	904,682	486,144	2,015,792	426,392	201,556	627,948	2,643,740
Professional fees	8,490	81,714	4,147	94,351	98,391	7,248	105,639	199,990
Job training and supplies	82,881	-	17,313	100,194	2,264	-	2,264	102,458
Program expenses	203,553	-	12,292	215,845	4,639	5,716	10,355	226,200
Rent	90,709	3,894	40,700	135,303	74,588	2,100	76,688	211,991
Office and administration	13,820	41,567	9,789	65,176	124,193	38,866	163,059	228,235
Conference, training and travel	8,593	7,498	4,295	20,386	20,270	2,307	22,577	42,963
Management and tenant service fees	-	91,581	-	91,581	-	-	-	91,581
Fundraising and outreach	-	1,154	-	1,154	1,200	96,542	97,742	98,896
Maintenance and repairs	28,281	398,699	2,824	429,804	4,693	28	4,721	434,525
Utilities	23,970	385,661	294	409,925	807	-	807	410,732
Insurance, property tax, license and fees	42,578	216,478	20,047	279,103	3,302	4,987	8,289	287,392
Advertising	-	31,183	-	31,183	-	-	-	31,183
Abandoned project costs	-	64,030	-	64,030	-	-	-	64,030
Total before depreciation and interest expense	1,127,841	2,240,611	597,845	3,966,297	760,739	359,350	1,120,089	5,086,386
Interest expense and finance fees	-	532,235	-	532,235	-	-	-	532,235
Depreciation and amortization	17,479	603,557	-	621,036	-	-	-	621,036
Total expenses by function	1,145,320	3,376,403	597,845	5,119,568	760,739	359,350	1,120,089	6,239,657
Less expenses included with revenues:								
Cost of direct benefits to donors	-	-	-	-	-	(9,625)	(9,625)	(9,625)
Total expenses in the statement of activities	$ 1,145,320	$ 3,376,403	$ 597,845	$ 5,119,568	$ 760,739	$ 349,725	$ 1,110,464	$ 6,230,032

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES

(A CALIFORNIA NONPROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31,								2020 (as restated)
	Program Activities				Supporting Activities			
	Youth Development	Affordable Housing	Resident Services	Program Subtotal	General and Administrative	Fundraising	Supporting Subtotal	Total Expenses
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 (as restated)	-	547,278	-	547,278	-	-	-	547,278
Depreciation and amortization	-	559,586	-	559,586	-	-	-	559,586
Total expenses by function	615,380	3,883,910	508,315	5,007,605	776,296	371,170	1,147,466	6,155,071
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	$ 3,883,910	$ 508,315	$ 5,007,605	$ 776,296	$ 370,000	$ 1,146,296	$ 6,153,901

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES

(A CALIFORNIA NONPROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2021	2020 (as restated)
Cash flows from operating activities		
Change in net assets	$ 2,288,874	$ (182,446)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	621,036	559,586
Amortization of debt issuance costs	9,927	9,927
Contribution of property	(1,850,000)	-
Cancellation of debt	(20,000)	(84,000)
Changes in operating assets and liabilities:		
Government contracts receivable	(155,676)	38,205
Contributions and grants receivable	9,980	75,593
Tenant accounts receivable, net	(72,021)	(11,154)
Prepaid expenses and other current assets	20,157	(61,170)
Deposits	(102,728)	(3,700)
Accounts payable and accrued expenses	(41,708)	(87,986)
Prepaid rent	(6,695)	(42,780)
Deferred revenue	1,392,725	251,000
Accrued interest payable	361,036	289,896
Due to affiliates	2,000	-
Tenant security deposits, liability	8,262	7,147
Net cash provided by operating activities	2,465,169	758,118
Cash flows from investing activities		
Expenditures for property	(16,737,926)	(4,646,702)
Investment in unconsolidated entity	-	(250,000)
Net cash used in investing activities	(16,737,926)	(4,896,702)
Cash flows from financing activities		
Contributions	-	739,573
Syndication costs	-	(55,000)
Payment for debt issuance costs	(249,697)	(479,654)
Proceeds from notes payable	15,406,678	7,097,025
Repayment of notes payable	(205,703)	(1,770,346)
Net cash provided by financing activities	14,951,278	5,531,598
Net change in cash, cash equivalents, and restricted cash	678,521	1,393,014
Cash, cash equivalents, and restricted cash, beginning of year	7,446,685	6,053,671
Cash, cash equivalents, and restricted cash, end of year	$ 8,125,206	$ 7,446,685

See accompanying notes to consolidated financial statements.

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES

(A CALIFORNIA NONPROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,		**2021**		**2020 (as restated)**
Supplemental disclosure of cash flow information:				
Cash paid for:				
Interest, net of capitalized interest	$	190,867	$	230,652
Supplemental disclosure of cash, cash equivalents, and restricted cash				
Cash and cash equivalents	$	4,436,607	$	4,180,095
Restricted cash				
Operating reserves		1,199,788		900,420
Replacement reserves		1,242,530		1,171,002
Tenant security deposits		231,639		195,939
Other reserves		1,014,642		999,229
Cash, cash equivalents, and restricted cash	$	8,125,206	$	7,446,685

See accompanying notes to consolidated financial statements.

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 an 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 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
Venice Dell GP, LLC	Venice Dell, L.P.

The following is a summary of Affordable Housing Affiliates and the consolidated ownership information as of December 31, 2021 and 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 5)	0.01%	35
VCHC Gateway, L.P. (Gateway)	0.01%	21
2471 Lincoln, L.P.* (Lincoln)	100.00%	40
845 Venice LLC* (Marian Place)	100.00%	9
1634 20th Street MGP LLC (20th Street) *	75.00%	N/A
LCLT Capacity Building LLC (Brynhurst and 224th St.) *	100.00%	9
Total units		235

* Project was under construction or development in 2021.

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.

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 6).

- ***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 statements of activities and change in net assets as net assets released from restrictions.

Cash, Cash Equivalents, and Restricted Cash For purposes of the consolidated statements of financial position and statements 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.

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, regulatory and partnership 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, 2021 and 2020, the allowance account totaled $5,699.

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 to 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 $391,909 and $296,391 for the years ended December 31, 2021 and 2020, respectively.

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 years ended December 31, 2021 and 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 properties in predevelopment as of December 31, 2021. 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 statements of financial position. Abandoned projects are expensed when management determines the project is not feasible. For the years ended December 31, 2021 and 2020, the Organization had abandoned project costs of $64,030 and $40,736, respectively.

Deferred Costs Deferred costs consist of California Tax Credit Allocation Committee (TCAC) monitoring fees, which are amortized over 10-15 years, 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,		**2021**	**2020**
Marketing and tax credit fees	1 to 10 years	$ 51,936	$ 51,936
Monitoring fees	15 years	7,935	7,935
Land lease costs	53 years	68,333	68,333
		128,204	128,204
Less: accumulated amortization		(76,289)	(71,167)
Net deferred costs		$ 51,915	$ 57,037

Debt Issuance Costs Unamortized debt issuance costs 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.

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 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 statements of activities and change in net assets.

Revenue from program service fees, including partnership project management fees, is recognized 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.

Donated Assets Donated assets are recorded at fair value at the date of donation. Such donations are reported as without restriction unless the donor has restricted the use of the gift. Contributed property and equipment donated with explicit restriction regarding their use are reported as net assets with donor restriction. The Organization reports expirations of donor restrictions when the donated property and equipment is placed in service as stipulated by the donor. During the year ended December 31, 2021, the Organization received a donation of property with a fair value of $1,850,000 as of the date of the contribution. There were no assets donated during the year ended December 31, 2020.

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 years ended December 31, 2021 and 2020, the Organization has received $0 and $27,447, respectively, of 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 statements 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. 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.

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.

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 years ended December 31, 2021 and 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 2017. 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 2021, approximately 40% of revenue is from contributions and grants from non-governmental sources; 16% from fees charged to government agencies; and 33% from rental operations. 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 years ended December 31, 2021 and 2020, the Organization had no private grants which accounted for more than 10% of its public support and revenues.

In June 2021, VCHC was informed that the funding for the U.S. Department of Labor YouthBuild program will cease effective September 2022. The YouthBuild funding during 2021 and 2020 totaled

$266,127 and $480,752, respectively, and accounted for more than 10% of total public support and revenue in 2020.

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 statements of financial position as of December 31, 2021 and 2020. The Organization is expected to exit from this investment in August 2022.

New Accounting Standards 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.

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on the Organization’s consolidated financial statements.

3. MORTGAGE NOTES PAYABLE

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

December 31,	2021	2020
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.	300,000	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.	73,566	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. In 2022, the City extended the loan to December 2028.	46,000	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.	1,521,362	1,578,225

December 31,	2021	2020
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.	4,424,994	3,254,080
Other:		
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, 2021 and 2020, $500,000 and $463,516, respectively, was available for borrowing.	-	36,484
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.	1,743,171	1,640,271
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.	250,000	250,000
	8,359,093	7,207,286
Less: unamortized debt issuance costs	(54,222)	(85,283)
VCHC Total	8,304,871	7,122,003
Affordable Housing Affiliates:		
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.	353,187	405,174

December 31,	2021	2020
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.	2,068,355	2,121,367
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 and due September 2034. 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. In 2021 and 2020, due to the Covid-19 pandemic, the City did not have resources to verify the services provided and therefore delayed the debt payment to 2022.	471,875	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, 2021 and 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.	6,003,124	3,136,813
Construction note to Corporation of Supportive Housing, pursuant to the construction loan agreement with maximum borrowings of $10,673,000, secured by a deed of trust, assignment of leases, security agreement and fixture filing, bearing interest at 5.5% per annum, 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 November 8, 2024.	7,375,827	-
Note payable to LISC, in the original amount of $865,000, secured by a deed of trust on real property, bearing interest at 2% per annum, with interest only paid monthly, all outstanding principal and unpaid interest due June 2049.	216,087	-

December 31,	2021	2020
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.	18,637,800	14,961,858
	35,126,255	21,097,087
Less: unamortized debt issuance costs	(745,813)	(686,508)
Affordable Housing Affiliates Total	34,380,442	20,410,579
Total notes payable	43,485,348	28,304,373
Less: unamortized debt issuance costs	(800,035)	(771,791)
Subtotal	42,685,313	27,532,582
Less: current portion	(10,765,515)	(275,347)
Total, noncurrent portion	$ 31,919,798	$ 27,257,235

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

Year ending December 31,	VCHC	Affordable Housing Affiliates	Total
2022	$ 6,278,267	$ 4,487,248	$ 10,765,515
2023	67,550	113,313	180,863
2024	321,183	8,185,503	8,506,686
2025	75,011	122,216	197,227
2026	79,045	1,739,170	1,818,215
Thereafter	1,538,037	20,478,805	22,016,842
Total	$ 8,359,093	$ 35,126,255	$ 43,485,348

An analysis of notes payable and accrued interest for 2021 and 2020 is as follows:

As of December 31, 2021	Current Portion	Noncurrent Portion	Principal Balance	Accrued Interest
VCHC:				
Amortizing	$ 64,102	$ 1,530,826	$ 1,594,928	$ 15,052
Non-amortizing	6,214,165	550,000	6,764,165	166,005
Total VCHC	$ 6,278,267	$ 2,080,826	$ 8,359,093	$ 181,057

As of December 31, 2021	Current Portion	Noncurrent Portion	Principal Balance	Accrued Interest
Affordable Housing Affiliates:				
Amortizing	$ 54,397	$ 298,790	$ 353,187	$ 1,597
Supportive services	-	471,875	471,875	-
HUD secured loan	54,727	2,013,628	2,068,355	5,385
Construction loan	4,378,124	9,216,914	13,595,038	49,314
Non-amortizing	-	18,637,800	18,637,800	3,596,820
Total Affordable Housing Affiliates	4,487,248	30,639,007	35,126,255	3,653,116
Total	$10,765,515	$ 32,719,833	$ 43,485,348	$ 3,834,173

As of December 31, 2020	Current Portion	Noncurrent Portion	Principal Balance	Accrued Interest
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	3,280,273
Total Affordable Housing Affiliates	142,597	20,954,490	21,097,087	3,296,280
Total	$ 275,347	$ 28,029,026	$ 28,304,373	$ 3,473,137

Included in current maturities as of December 31, 2021 and 2020 is predevelopment and construction debt totaling $4,378,124 and $0, respectively, that has committed sources of repayment including proceeds from permanent long-term debt and/or limited partner investor equity.

Contingent Interest Regulatory agreements with the City provide for possible forgiveness of interest on the Navy Blue note payable of $692,000 and the Fourth Avenue mortgage payable of $1,250,000. 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,	**2021**	**2020**
Navy Blue	$ 582,000	$ 561,000
Fourth Avenue	1,500,000	1,430,000
Total	$ 2,082,000	$ 1,991,000

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.

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, 2021 and 2020, there were 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. DEFERRED REVENUE

Deferred revenue consists of the following:

At December 31,	**2021**	**2020**
Prepaid easement lease	$ 244,725	$ 251,000
Deferred grant revenue	1,399,000	-
Total	$ 1,643,725	$ 251,000

5. 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 2022, 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.

6. NET ASSETS

The following is a summary of consolidated net assets of the Organization as of December 31, 2021 and 2020:

	Without donor restrictions			
	Controlling Interest	Non-controlling	With donor restrictions	Total
Net assets, January 1, 2021	$ 2,340,469	$ 6,082,515	$ 194,144	$ 8,617,128
Release from donor restricted net assets	237,408	-	(237,408)	-
Change in net assets (deficit)	651,911	(348,037)	1,985,000	2,288,874
Net assets, December 31, 2021	$ 3,229,788	$ 5,734,478	$ 1,941,736	$ 10,906,002

	Without donor restrictions			
	Controlling Interest	Non-controlling	With donor restrictions	Total
Net assets, January 1, 2020, as originally reported	$ 3,609,947	$ 5,698,979	$ 289,708	$ 9,598,634
Prior period adjustment (Note 10)	(1,483,633)	-	-	(1,483,633)
Net assets, beginning of year, as restated	2,126,314	5,698,979	289,708	8,115,001
Release from donor restricted net assets	295,564	-	(295,564)	-
Contributions	-	739,573	-	739,573
Syndications	-	(55,000)	-	(55,000)
Change in net assets (deficit)	(81,409)	(301,037)	200,000	(182,446)
Net assets, December 31, 2020	$ 2,340,469	$ 6,082,515	$ 194,144	$ 8,617,128

	2021	2020
Net assets without donor restrictions - controlling		
Board designated	$ 750,000	$ 621,000
Undesignated	2,479,788	1,719,469
Total net assets without donor restrictions - controlling	$ 3,229,788	$ 2,340,469

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, 2021	New Revenues, Net	Releases	Available December 31, 2021
Subject to expenditure for special purposes:				
Community development programs	$ 60,811	$ -	$ (60,811)	$ -
Housing development	-	1,925,000	(34,095)	1,890,905
	60,811	1,925,000	(94,906)	1,890,905
Subject to passage of time:				
General operating support	133,333	60,000	(142,502)	50,831
	133,333	60,000	(142,502)	50,831
Total net assets with donor restrictions	$ 194,144	$ 1,985,000	$ (237,408)	$1,941,736

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

7. 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,	2021	2020
Financial assets:		
Cash, cash equivalents and restricted cash	$ 8,125,206	$ 7,446,685
Government contracts receivable	431,959	276,283
Contributions and grants receivable	24,427	34,407
Tenant accounts receivable, net	157,296	85,275
Total financial assets	8,738,888	7,842,650

At December 31,	**2021**	**2020**
Amounts not available for general expenditure:		
Restricted cash	$ (3,688,599)	$ (3,266,590)
Financial assets with donor restrictions	(135,000)	(194,144)
Board designated funds	(750,000)	(621,000)
Financial assets not available to be used within one year	(4,573,599)	(4,081,734)
Financial assets available to meet general expenditures within one year	$ 4,165,289	$ 3,760,916

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 operations. 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 9). As of December 31, 2021, the Organization's management believes they have sufficient liquidity available to meet its obligations for the coming year.

8. 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.

9. COMMITMENTS AND CONTINGENCIES

Operating Leases During construction of its new facilities, VCHC is temporarily leasing its offices through December 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.

Rent expense totaled $211,991 and $214,038 for the years ended December 31, 2021 and 2020, respectively. The future minimum rental payments under the operating leases are summarized as follows:

Year ending December 31,		**Amount**
2022	$	89,760
2023		54,030
2024		2,271
Total	$	146,061

LCLT Capacity Building LLC Ground Lease Effective May 2021, LCLT Capacity Building LLC leases the land underlying the projects (Brynhurst and 224th St) from Liberty Community Land Trust for a term of ninety-nine years. The lease provides for rent to be paid in an amount of $500 per unit annually for the right to possess the land, plus $500 per unit annually for tenant training and capacity building. As of December 31, 2021, no payments were made.

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, 2021 and 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.

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, 2021 and 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 The outbreak of COVID-19 in early 2020 is ongoing and resulted in mandates from federal, state and/or local authorities. However, the pandemic to date has not had a significant impact on the operations of the Organization. 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 grant terms were met in the same period the grant was received, the Organization has recognized the grant in the accompanying consolidated statements of activities and change in net assets as an increase in net assets without donor restrictions for the year ended December 31, 2020. On November 24, 2020, the loan was forgiven for the entirety of the principal and the interest.

In February 2021, VCHC received a second PPP loan in the amount of $580,576. Since the conditional grant terms were met in the same period the grant was received, the Organization has recognized the grant in the accompanying consolidated statements of activities and change in net assets as an increase in net assets without donor restrictions for the year ended December 31, 2021.

On January 18, 2022, the loan was forgiven for the entirety of the principal and the interest.

10. RESTATEMENT OF FINANCIAL STATEMENTS AND PRIOR PERIOD ADJUSTMENT

During 2021, the Organization became aware of an error in its previously issued 2020 audited financial statements for 12525 Washington Place, L.P. (the Partnership). The Partnership did not record accrued interest incurred on the $1,500,000 City of Los Angeles loan through 2020 as it was presumed the loan interest was subject to forgiveness and due and payable only if the fair market value of the property exceeded the principal balance of the note plus all superior indebtedness secured against the property. However, the executed loan agreements did not contain the interest forgiveness provision. Accordingly, the Organization restated the 2020 financial statements to increase interest expense and accrued interest by $57,788. In addition, the Organization recorded a prior period adjustment that increased accrued interest and partner’s deficit by $1,483,633.

11. 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 discussed below.

- In February 2022, 1634 20th Street LP was formed to construct and operate affordable rental housing for low-income persons in Los Angeles, California.

- In March 2022, Liberty 4345 Crenshaw MGP LLC (Crenshaw) was formed to acquire, construct and operate affordable housing. On April 1, 2022, Crenshaw acquired a property located in Los Angeles, California.

- In February 2022, Venice Dell L.P. was formed to construct and operate affordable rental housing for low-income persons in Los Angeles, California.

- In May 2022, 11834 Aviation LLC was formed to construct and operate affordable rental housing for low-income persons in Los Angeles, California.

SUPPLEMENTARY INFORMATION

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES

(A CALIFORNIA NONPROFIT CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

	VCHC	Affordable Housing Affiliates	Elimination Adjustments	Total
Assets				
Current assets				
Cash and cash equivalents	$ 3,251,926	$ 1,184,681	$ -	$ 4,436,607
Government contracts receivable	431,959	-	-	431,959
Contributions and grants receivable	24,427	-	-	24,427
Tenant accounts receivable, net	33,782	123,514	-	157,296
Prepaid expenses and other assets	393,048	52,480	(383,964)	61,564
Deposits	115,625	12,438	-	128,063
Tenant security deposits	76,543	155,096	-	231,639
Total current assets	4,327,310	1,528,209	(383,964)	5,471,555
Restricted property reserves	345,013	3,111,947	-	3,456,960
Due from affiliates	1,722,039	-	(1,722,039)	-
Deferred costs, net	-	51,915	-	51,915
Investments	2,595,781	-	(2,345,781)	250,000
Property, net	9,522,845	46,649,062	(1,808,805)	54,363,102
Notes receivable	1,250,000	-	(1,250,000)	-
Total assets	$ 19,762,988	$ 51,341,133	$ (7,510,589)	$ 63,593,532
Liabilities and Net Assets				
Liabilities				
Current liabilities				
Accounts payable	$ 247,975	$ 173,617	$ (87,891)	$ 333,701
Construction costs payable	-	3,960,118	-	3,960,118
Prepaid rent	1,497	36,498	-	37,995
Deferred revenue	244,725	1,399,000	-	1,643,725
Accrued interest payable	15,052	-	-	15,052
Notes payable	6,278,267	4,487,248	-	10,765,515
Tenant security deposits	59,120	131,385	-	190,505
Due to affiliates	-	2,442,999	(2,440,999)	2,000
Total current liabilities	6,846,636	12,630,865	(2,528,890)	16,948,611
Long-term liabilities				
Notes payable, net of current portion and debt issuance costs	3,276,604	29,893,194	(1,250,000)	31,919,798
Accrued interest payable, net of current position	166,005	3,653,116	-	3,819,121
Total long-term liabilities	3,442,609	33,546,310	(1,250,000)	35,738,919
Total liabilities	10,289,245	46,177,175	(3,778,890)	52,687,530
Commitments and contingencies				
Net assets				
Controlling	7,532,007	(570,520)	(3,731,699)	3,229,788
Noncontrolling	-	5,734,478	-	5,734,478
Total net assets without donor restrictions	7,532,007	5,163,958	(3,731,699)	8,964,266
With donor restriction	1,941,736	-	-	1,941,736
Total net assets	9,473,743	5,163,958	(3,731,699)	10,906,002
Total liabilities and net assets	$ 19,762,988	$ 51,341,133	$ (7,510,589)	$ 63,593,532

See independent auditor's report.

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES

(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	$ 1,517,893	$ -	$ -	$ 1,517,893
Contribution of property	1,850,000	-	-	1,850,000
Government contracts	1,403,134	-	-	1,403,134
Grant revenue - Paycheck Protection Program	580,576	-	-	580,576
Special events revenue	315,403	-	-	315,403
Forgiveness of debt	20,000	-	-	20,000
Contribution of goods and services	-	-	-	-
Management and developer fee	1,787,407	-	(1,787,407)	-
Rental income	878,349	1,906,145	-	2,784,494
Interest income	3,504	-	-	3,504
Other income	78,739	47,151	(81,988)	43,902
Total public support and revenues	8,435,005	1,953,296	(1,869,395)	8,518,906
Expenses				
Bad debt expense	7,461	5,009	-	12,470
Salaries, benefits, and taxes	2,538,790	491,216	(386,266)	2,643,740
Professional fees	142,752	57,238	-	199,990
Job training and supplies	102,458	-	-	102,458
Program expenses	226,200	-	-	226,200
Rent	211,991	-	-	211,991
Office and administration	183,397	137,421	(92,583)	228,235
Conference, training and travel	42,963	-	-	42,963
Management and tenant service fees	(370)	238,114	(146,163)	91,581
Fundraising and outreach	89,271	-	-	89,271
Maintenance and repairs	246,312	188,213	-	434,525
Utilities	129,722	281,010	-	410,732
Insurance, property tax and license and fees	155,890	131,502	-	287,392
Advertising	31,183	-	-	31,183
Abandoned project costs	64,030	-	-	64,030
Interest expense and finance fees	97,373	434,862	-	532,235
Depreciation and amortization	117,310	506,226	(2,500)	621,036
Total expenses	4,386,733	2,470,811	(627,512)	6,230,032
Change in net assets (deficit)	4,048,272	(517,515)	(1,241,883)	2,288,874
Net assets (deficit), beginning of year, as originally reported	5,425,483	4,690,118	42,948	10,158,549
Prior period adjustment (Note 10)	-	(1,541,421)	-	(1,541,421)
Net assets, beginning of year (as restated)	5,425,483	3,148,697	42,948	8,617,128
Contributions	-	2,550,573	(2,550,573)	-
Distributions	-	(17,797)	17,797	-
Net assets, end of year	$ 9,473,755	$ 5,163,958	$ (3,731,711)	$ 10,906,002

See independent auditor's report.