
**VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED DECEMBER 31, 2022 AND 2021

**VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Venice Community Housing Corporation
(A California Nonprofit Corporation)

Opinion

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, 2022, and the related consolidated statements of activities and changes in net assets (deficit), changes in net assets (deficit), functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Venice Community Housing Corporation and Affiliates as of December 31, 2022, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 consolidated financial statements section of our report. We are required to be independent of Venice Community Housing Corporation and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Consolidated Financial Statements

The consolidated financial statements of Venice Community Housing Corporation and Affiliates as of December 31, 2021 were audited by other auditors whose report dated July 26, 2022 expressed an unmodified opinion on those statements.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, Venice Community Housing Corporation and Affiliates adopted the Leases topic of the FASB ASC 842 during the year ended December 31, 2022. 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Venice Community Housing Corporation and Affiliates' 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 consolidated 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 consolidated 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 Venice Community Housing Corporation and Affiliates' 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 Venice Community Housing Corporation and Affiliates' 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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

July 19, 2023
Carmel, Indiana

Dauby O'Connor & Zaleski, LLC
Dauby O'Connor & Zaleski, LLC
Certified Public Accountants

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS		
	2022	2021
Current assets		
Cash and cash equivalents		
Cash	\$ 9,823,310	\$ 4,436,607
Resident security deposits	235,473	231,639
Reserves for replacements	1,250,023	1,242,530
Operating reserves	1,253,306	1,199,788
Other reserves	1,006,537	1,014,642
Total cash and cash equivalents	13,568,649	8,125,206
Accounts receivable - residents, net	255,799	157,296
Government contracts receivable	202,191	431,959
Contributions and grants receivable	208,288	24,427
Prepaid expenses and other current assets	92,543	61,564
Deposits	19,705	128,063
Total current assets	14,347,175	8,928,515
Property and equipment		
Land	24,376,906	20,803,138
Buildings and improvements	46,640,473	22,022,909
Furniture and equipment	929,705	743,692
Construction in progress and predevelopment costs	19,861,666	20,984,314
	91,808,750	64,554,053
Less: accumulated depreciation	(11,400,211)	(10,190,951)
Total property and equipment	80,408,539	54,363,102
Other assets		
Unamortized costs, net	66,199	51,915
Investment in unconsolidated entity	250,000	250,000
Total other assets	316,199	301,915
	\$ 95,071,913	\$ 63,593,532

See notes to financial statements

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities		
Accounts payable and accrued expenses	\$ 522,627	\$ 333,701
Construction and development costs payable	2,054,130	3,960,118
Accrued interest payable	86,033	15,052
Due to affiliates	3,575	2,000
Prepaid revenue	44,438	37,995
Current maturities of notes payable	14,147,676	10,765,515
Total current liabilities	16,858,479	15,114,381
Deposit liabilities, resident security deposits	204,530	190,505
Long term liabilities		
Notes payable, net of current maturities	44,972,407	32,491,713
Less: debt issuance costs	(551,742)	(571,915)
Accrued interest payable	4,292,337	3,819,121
Deferred revenue	19,108,127	1,643,725
Total long-term liabilities	67,821,129	37,382,644
Total liabilities	84,884,138	52,687,530
Net assets - without donor restrictions		
Controlling	2,019,656	3,229,788
Noncontrolling	5,897,482	5,734,478
Total net assets - without donor restrictions	7,917,138	8,964,266
Net assets - with donor restrictions	2,270,637	1,941,736
Total net assets	10,187,775	10,906,002
	\$ 95,071,913	\$ 63,593,532

See notes to financial statements

**VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Contributions and grants	\$ 772,098	\$ 625,000	\$ 1,397,098
Government contracts	1,276,510	500,000	1,776,510
Special events revenue	235,200	-	235,200
Cancellation of debt	112,500	-	112,500
Operating subsidy revenue	49,064	-	49,064
Rental revenue	3,433,463	-	3,433,463
Interest income	20,490	-	20,490
Other revenue	77,792	-	77,792
Total public support and revenue	5,977,117	1,125,000	7,102,117
Net assets released from restrictions			
Satisfaction of time and program restrictions	796,099	(796,099)	-
Total revenue	6,773,216	328,901	7,102,117
Expenses			
Program services	7,588,542	-	7,588,542
General and administrative	581,253	-	581,253
Fundraising	428,679	-	428,679
Total expenses	8,598,474	-	8,598,474
Changes in net assets (deficit)	\$ (1,825,258)	\$ 328,901	\$ (1,496,357)

See notes to financial statements

**VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Contributions and grants	\$ 1,382,893	\$ 135,000	\$ 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	325,028	-	325,028
Less: direct benefits to donors	(9,625)	-	(9,625)
Cancellation of debt	20,000	-	20,000
Rental revenue	2,784,494	-	2,784,494
Interest income	3,504	-	3,504
Other revenue	43,902	-	43,902
Total public support and revenue	6,533,906	1,985,000	8,518,906
Net assets released from restrictions			
Satisfaction of time and program restrictions	237,408	(237,408)	-
Total revenue	6,771,314	1,747,592	8,518,906
Expenses			
Program services	5,119,568	-	5,119,568
General and administrative	760,739	-	760,739
Fundraising	349,725	-	349,725
Total expenses	6,230,032	-	6,230,032
Changes in net assets (deficit)	\$ 541,282	\$ 1,747,592	\$ 2,288,874

**VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
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**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Without Donor Restrictions		With Donor Restrictions	Total
	Controlling Interest	Non-Controlling Interest	Restrictions	
Balance, January 1, 2021	\$ 2,340,469	\$ 6,082,515	\$ 194,144	\$ 8,617,128
Release from donor restricted net assets	237,408	-	(237,408)	-
Changes in net assets (deficit)	651,911	(348,037)	1,985,000	2,288,874
Balance, December 31, 2021	3,229,788	5,734,478	1,941,736	10,906,002
Other changes to net assets	(609,539)	-	-	(609,539)
Contributions	-	1,469,654	-	1,469,654
Syndication costs	-	(81,985)	-	(81,985)
Changes in net assets (deficit)	(600,593)	(1,224,665)	328,901	(1,496,357)
Balance, December 31, 2022	\$ 2,019,656	\$ 5,897,482	\$ 2,270,637	\$ 10,187,775

See notes to financial statements

**VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	Program Activities			Supporting Activities				
	Youth Development	Affordable Housing	Resident Services	Program Total	General and Administrative	Fundraising	Supporting Total	Total Expenses
Expenses								
Bad debt expense	\$ -	\$ 4,508	\$ -	\$ 4,508	\$ -	\$ -	\$ -	\$ 4,508
Salaries, benefits, and taxes	586,881	1,591,935	545,122	2,723,938	555,611	207,218	762,829	3,486,767
Professional fees	18,742	156,664	18,422	193,828	2,441	8,653	11,094	204,922
Job training and supplies	81,966	526	18,701	101,193	5	(1,779)	(1,774)	99,419
Program expenses	194,541	7,011	22,675	224,227	3,981	-	3,981	228,208
Rent	102,689	90,564	5,269	198,522	751	5,342	6,093	204,615
Office and administration	42,593	144,372	66,293	253,258	12,464	30,630	43,094	296,352
Conference, training and travel	11,556	51,743	23,242	86,541	1,350	3,926	5,276	91,817
Fundraising and outreach	-	75,893	699	76,592	207	168,274	168,481	245,073
Maintenance and repairs	33,396	566,494	3,343	603,233	1,953	640	2,593	605,826
Utilities	25,302	430,753	1,740	457,795	116	324	440	458,235
Insurance, property tax, license and fees	24,705	384,123	17,475	426,303	2,369	5,341	7,710	434,013
Advertising	1,261	64,131	617	66,009	5	110	115	66,124
Total expenses before interest expense and finance fees, depreciation and amortization	1,123,632	3,568,717	723,598	5,415,947	581,253	428,679	1,009,932	6,425,879
Interest expense and finance fees	-	933,329	-	933,329	-	-	-	933,329
Depreciation and amortization	18,535	1,082,368	138,363	1,239,266	-	-	-	1,239,266
Total expenses by function	1,142,167	5,584,414	861,961	7,588,542	581,253	428,679	1,009,932	8,598,474
Less expenses included with revenues								
Cost of direct benefits to owners	-	-	-	-	-	-	-	-
Total expenses in the statement of activities	\$ 1,142,167	\$ 5,584,414	\$ 861,961	\$ 7,588,542	\$ 581,253	\$ 428,679	\$ 1,009,932	\$ 8,598,474

Less expenses included with revenues
Cost of direct benefits to owners

**VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Program Activities			Supporting Activities		
	Youth Development	Affordable Housing	Resident Services	Program Total	General and Administrative	Fundraising
Expenses						
Bad debt expense	\$ -	\$ 12,470	\$ -	\$ 12,470	\$ -	\$ -
Salaries, benefits, and taxes	624,966	904,682	486,144	2,015,792	426,392	201,556
Professional fees	8,490	81,714	4,147	94,351	98,391	7,248
Job training and supplies	82,881	-	17,313	100,194	2,264	-
Program expenses	203,553	-	12,292	215,845	4,639	5,716
Rent	90,709	3,894	40,700	135,303	74,588	2,100
Office and administration	13,820	41,567	9,789	65,176	124,193	38,866
Conference, training and travel	8,593	7,498	4,295	20,386	20,270	2,307
Management and tenant service fees	-	91,581	-	91,581	-	-
Fundraising and outreach	-	1,154	-	1,154	1,200	96,542
Maintenance and repairs	28,281	398,699	2,824	429,804	4,693	28
Utilities	23,970	385,661	294	409,925	807	-
Insurance, property tax, license and fees	42,578	216,478	20,047	279,103	3,302	4,987
Advertising	-	31,183	-	31,183	-	-
Abandoned project costs	-	64,030	-	64,030	-	-
Total expenses before interest expense and finance fees, depreciation and amortization	1,127,841	2,240,611	597,845	3,966,297	760,739	359,350
Interest expense and finance fees	-	532,235	-	532,235	-	-
Depreciation and amortization	17,479	603,557	-	621,036	-	-
Total expenses by function	1,145,320	3,376,403	597,845	5,119,568	760,739	359,350
Less expenses included with revenues	-	-	-	-	-	-
Cost of direct benefits to owners	-	-	-	-	(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 notes to financial statements

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Reconciliation of changes in net assets (deficit) to net cash provided by (used in) operating activities		
Changes in net assets (deficit)	\$ (1,496,357)	\$ 2,288,874
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,239,266	621,036
Amortization of debt issuance costs	9,927	9,927
Gain on involuntary conversion	(40,467)	-
Contribution of property	-	(1,850,000)
Cancellation of debt	(112,500)	(20,000)
Changes in:		
Accounts receivable - residents	(98,503)	(72,021)
Government contracts receivable	229,768	(155,676)
Contributions and grants receivable	(183,861)	9,980
Prepaid expenses and other current assets	(30,979)	20,157
Deposits	108,358	(102,728)
Accounts payable and accrued expenses	177,034	(41,708)
Accrued interest payable	544,197	361,036
Due to affiliates	1,575	2,000
Prepaid revenue	6,443	(6,695)
Deferred revenue	-	1,392,725
Resident security deposits held	14,025	8,262
Net cash provided by (used in) operating activities	367,926	2,465,169
Cash flows from investing activities		
Purchase of property and equipment	(29,602,146)	(16,737,926)
Insurance proceeds received for replacement assets	88,728	-
Uncapitalized involuntary conversion repair costs	(47,861)	-
Net cash provided by (used in) investing activities	\$ (29,561,279)	\$ (16,737,926)

**VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
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**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
Cash flows from financing activities		
Payment of syndication fees	\$ (81,985)	\$ -
Proceeds from notes payable	22,461,486	15,406,678
Principal payments on notes payable	(6,598,631)	(205,703)
Payment of debt issuance costs	(78,130)	(249,697)
Changes in deferred revenue	17,464,402	-
Contributions	1,469,654	-
Net cash provided by (used in) financing activities	34,636,796	14,951,278
Net change in cash and cash equivalents	5,443,443	678,521
Cash and equivalents, beginning	8,125,206	7,446,685
Cash and equivalents, ending	\$ 13,568,649	\$ 8,125,206
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of capitalized interest	\$ 379,205	\$ 190,867

Purchase of property and equipment includes \$3,960,118, which was included in construction and development costs payable at December 31, 2021 and excludes \$2,054,130, which was included in construction and development costs payable at December 31, 2022.

**VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Venice Community Housing Corporation (the Corporation, or VCHC) is a California nonprofit corporation, which was 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 California nonprofit 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 located in Venice that provides interim housing for families experiencing homelessness.
- 511 Brooks Avenue is a 4-unit complex located in Venice that provides permanent housing for households with low incomes.
- 640 Westminster Avenue is a 3-unit complex located in Venice that provides permanent housing for households with low incomes.
- 920 6th Avenue is a 6-unit complex located in Venice that provides permanent housing for households with low incomes.
- 204 Lincoln is a 13-unit complex located in Del Rey that provides permanent supportive housing for people previously experiencing homelessness.
- 4216 Centinela is a 14-unit complex located in Del Rey that provides supporting housing for people previously experiencing homelessness and other households with low incomes.
- 4816 Slauson Avenue is an 8-unit complex located in Del Rey that provides permanent housing for households with low incomes.
- 5026 Slauson Avenue is a 10-unit complex located in Del Rey that provides permanent housing for people previously experiencing homelessness.
- 5032 Slauson Avenue is an 8-unit complex located in Del Rey that provides permanent housing for households with low incomes.

In addition, VCHC controls affordable housing affiliate entities (referred to herein as 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 its 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

The following is a summary of limited liability companies established to own up to a 1% general partner ownership interest in Affordable Housing Affiliates:

General Partner

720 Rose LLC
VCHC Gateway, LLC
2471 Lincoln LLC
Venice Dell GP, LLC

Affordable Housing Affiliates

720 Rose, L.P.
VCHC Gateway, L.P.
2471 Lincoln, L.P.
Venice Dell, L.P.

The following is a summary of the Affordable Housing Affiliates and the consolidated ownership information as of December 31, 2022:

<u>Affordable Housing Affiliates</u>	<u>Ownership Interest</u>	<u># of Units</u>
Fourth Avenue Limited Partnership	100.00%	25
Navy Blue Apartments Limited Partnership	100.00%	14
12525 Washington Place, L.P.	100.00%	30
Horizon Apartments LLC	100.00%	20
VCHC Pacific Apartments, LLC	100.00%	32
845 Venice LLC (a)	100.00%	9
LCLT Capacity Building LLC (a)	100.00%	9
Liberty 4345 Crenshaw MGP, LLP (a)	100.00%	61
11834 Aviation, LLC (a)	100.00%	48
720 Rose, L.P.	0.01%	35
VCHC Gateway, L.P.	0.01%	21
1634 20 th Street MGP LLC (a)	75.00%	N/A
2471 Lincoln, L.P. (a)	0.01%	40
Venice Dell, L.P. (a)	51.00%	40
VDC Public Parking, LLC (a)	51.00%	N/A
		<u>384</u>

(a) The project was under construction or development in 2022.

Description of Programs

The Organization improves the quality and affordability of housing in Los Angeles County by developing new apartments and rehabilitating existing properties. The Organization's 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 residents of its properties and others.

Affordable Housing – VCHC currently owns and operates 252 units of affordable and supportive housing in 17 properties and operates an additional 28 units of short-term housing for families and transition aged youth experiencing homelessness. VCHC provides the property management and maintenance services for all properties, and works to preserve and expand housing opportunities through new construction and rehabilitation opportunities.

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES (A CALIFORNIA NONPROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

Resident Services – VCHC provides trauma-informed resources and supports that tenants and program participants need to secure and maintain housing, improve health, enhance education, and thrive in their communities. Services and resources include one-on-one case management and counseling, health and mental health supports, food and transportation assistance, and many more.

Youth Development Programs - VCHC provides comprehensive educational, job training and leadership development opportunities for youth ages 18 – 24, including an on-site high school. VCHC's Study Lounge program provides academic-focused after school activities including tutoring, mentoring, and recreation for children ages 6-12.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the consolidated financial statements

The consolidated financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America and are in conformity with the provisions required by the Not-for-Profit Entities Presentation of Financial Statements topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205. This topic established standards for external financial reporting for Not-for-Profit Organizations.

The consolidated financial statements include the accounts of VCHC, WHC, wholly owned and controlled affordable housing affiliates. The controlled affiliates are included in consolidation in accordance with US GAAP, which requires 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 and limited liability companies are shown separately in the components of net assets.

The Corporation accounts for uncontrolled investments in operating entities in accordance with FASB ASC 970-323 Investments - Equity Method, under which the investment is carried at cost and adjusted for the Corporation's share of the operating entity's net income or loss and by cash distributions received. The Corporation owns a 33.33% interest in Toward Community Control, LLC and a 50% interest in Creating Thriving Communities LLC. As of December 31, 2022 and 2021, the Corporation's investment balance totaled \$250,000 and \$250,000, respectively.

The Not-for-Profit Entities Presentation of Financial Statements topic primarily affects the display of the consolidated financial statements and requires that the amounts for each of the two classes of net assets - with or without donor restrictions - be displayed in the consolidated statement of financial position and the amounts of the change in each of those classes of net assets be displayed in a consolidated statement of changes in net assets. Accordingly, assets of the Organization and changes therein are classified and reported as follows:

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES (A CALIFORNIA NONPROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

Assets without donor restrictions - Assets that are not subject to donor-imposed stipulations. These are available to support the Organization's activities and operations at the discretion of the Board of Directors.

- *Controlling* – the only limits 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. See 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.

Assets with donor restrictions - Assets subject to either temporary donor-imposed stipulations that will be met either by actions of the donor, the Organization, and/or the passage of time or assets that are subject to permanent donor-imposed stipulations that resources must be maintained permanently by the Organization. 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 changes in net assets as net assets released from restrictions.

New accounting pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases, which require the lessee to recognize leased assets and corresponding lease liabilities on the statements of financial position. The standard was effective for the Organization on January 1, 2022. The adoption of the lease standard did not have a material impact on the consolidated financial statements.

Cash

For the consolidated statements of cash flows, all unrestricted investments with original maturities of three months or less are cash. At December 31, 2022 and 2021, cash consists of operating, construction, and savings accounts.

Government contracts, contributions and grants, and resident receivables and bad debt policy

Government contract receivables consist of amounts due from draws on various grants with government entities or other amounts due under grant awards. The Organization does not accrue interest on the government contract receivable balances.

Contribution and grant receivables consist of amounts due from draws on various foundations, private entities or other donors due under grant awards. The Organization does not accrue interest on the contribution and grant receivable balances.

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Resident rent charges for the current month are due on the first of the month. Residents who are evicted or move-out are charged with damages or cleaning fees, if applicable. Resident receivables consist of amounts due for rental income or the charges for damages and cleaning fees. The Organization does not accrue interest on the resident receivable balances.

An allowance for bad debt is established for accounts receivable that are determined to be uncollectible based upon a periodic review of the accounts by management. At December 31, 2022 and 2021, allowance for doubtful accounts totaled \$20,457 and \$20,457, respectively. During the years ended December 31, 2022 and 2021, bad debts expensed totaled \$4,508 and \$12,470, respectively.

Property and equipment

Property and equipment, including projects under development, are recorded at cost. Building and improvements are depreciated over 20 to 40 years and furniture and equipment are depreciated over 5 to 7 years using the straight-line method, commencing with the date the buildings are placed into service.

The Organization capitalizes expenditures or betterments that materially increase asset lives and charges ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain (loss) is included in operations. 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. Interest costs directly related to, and incurred during a project's construction period are capitalized. Capitalized interest totaled \$654,694 and \$391,909 during the years ended December 31, 2022 and 2021, respectively.

The Organization is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB ASC 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Partnership's Consolidated Financial Statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during the years ended December 31, 2022 and 2021.

Predevelopment 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 eight properties in predevelopment as of December 31, 2022. VCHC capitalizes these costs until the property 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 and equipment in the accompanying consolidated statements of financial position. Abandoned projects are expensed when management determines the project is not feasible. The Organization's abandoned project costs totaled \$0 and \$64,030 during the years ended December 31, 2022 and 2021, respectively.

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Leases

Under FASB ASU 2016-02, the Organization determines if an arrangement is a lease at the inception of the contract. Operating leases with an initial term of 12 months or less are not recorded on the statements of financial position and continue to be expensed on a straight-line basis over the lease term. All finance leases and operating leases with lease terms greater than 12 months result in the recognition of a right-of-use asset and a lease liability at the lease commencement date based on the present value of the sum of the lease payments over the lease term. The effect of accounting for the Organization's leases in accordance with ASU 2016-02 is not material to the consolidated financial statements.

Unamortized costs

The Organization incurred costs in connection with the allocation and monitoring of the low-income housing tax credits, and land lease costs. These costs have been capitalized and are amortized using the straight-line method over the respective tax credit compliance period or land lease terms.

Debt issuance costs

The Organization is subject to the provisions of the Interest-Imputation of Interest topic of the FASB ASC 835-30 which requires unamortized debt issuance costs to be presented as a reduction of the outstanding debt and the amortization of the debt issuance costs to be presented as a component of interest expense. Generally accepted accounting principles require that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not material to the consolidated financial statements for the years ended December 31, 2022 and 2021.

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 are 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 recorded as a liability.

Special events revenue includes 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 changes in net assets.

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Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the residents of the Properties are operating leases under ASC 840 and are not within the scope of ASU 2014-09.

Other revenue consists of laundry, vending, and miscellaneous charged to residents. Such other revenue is recognized when earned.

Program service revenue includes service fees, including partnership project management fees and 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 the 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 years ended December 31, 2022 and 2021, the Organization received a donation of property with a fair value at the date of donation of \$0 and \$1,850,000, respectively.

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. During the years ended December 31, 2022 and 2021, the Organization received contributed goods and services of \$0 and \$0, respectively.

Advertising costs

Advertising costs are expensed as incurred and are included in program services in the statements of activities – changes in net assets.

Property taxes

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 adversely impacted.

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Concentration of business and credit risk

The Organization deposits its cash in financial institutions. At times, deposits may exceed federally insured limits. The Partnership has not experienced any losses in such accounts.

VCHC, either as a direct owner or general partner, has an economic interest in real estate properties (the, Properties). The Properties 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 Properties 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 residents' ability to make rental payments.

The Organization's Properties are concentrated in the multifamily real estate market. In addition, the Properties 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. Such administrative directives, rules and regulations are subject to change by an act of Congress. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, if any, to comply with a change.

The Organization's revenues are derived from several sources. During 2022 and 2021, approximately 23% and 40% of revenue were from contributions and grants from non-governmental sources, 25% and 16% were from fees charged to government agencies, and 48% and 33% from rental operations, all respectively. For the years ended December 31, 2022 and 2021, 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 2022 and 2021 totaled \$4,140 and \$266,127, respectively.

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.

Use of estimates in the preparation of consolidated financial statements

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

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Fair value

The Organization is subject to the provisions of the Fair Value Measurement topic of the FASB ASC 820-10 which provides guidance for assets and liabilities which are required to be measured at fair value and requires expanded disclosure for fair value measurement. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value and does not require any new fair value measurements. The Fair Value Measurement did not have a material impact on the Organization's Consolidated Financial Statements for the years ended December 31, 2022 and 2021.

Accounting for uncertainty in income taxes

The Organization and other nonprofit entities consolidated in these consolidated financial statements are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal and state taxes on revenue and income has been recognized in the accompanying consolidated financial statements.

Even though the Organization is recognized as tax exempt, it still may be liable for tax on its unrelated business income (UBI). The Corporation evaluates uncertain tax positions through its review of the sources of income to identify UBI and certain other matters, including those which may affect its tax exempt status. The effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2022 and 2021, the Organization had no uncertain tax positions requiring accrual.

Income taxes on limited partnerships and limited liability companies 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. Accordingly, the limited partnership or limited liability company is not required to take any tax positions in order to qualify as a pass-through entity, but is required to file and does file tax returns with the Internal Revenue Service 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. Generally, the federal and state returns are subject to examination for three years after the later of the original or extended due date or the date filed with the applicable tax authority. There are no current tax examinations pending.

Subsequent events

Management performed an evaluation of the Organization's activity through July 19, 2023, the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through the date these consolidated financial statements were available to be issued.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation. These reclassifications had no effect on the reported changes in net assets of the Organization.

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NOTE 2-FINANCING

Various loan and regulatory agreements have been entered into to continue the mission of providing affordable housing, economic development opportunities, and support services for low income people. Interest rates range from 0% to 8.21% and have maturity dates through June 2067.

See Financial Summary in the supplementary information for details of the various loan agreements.

Principal payments for the next five years and thereafter are approximately as follows:

2023	\$ 14,147,676
2024	14,639,101
2025	3,523,745
2026	1,870,381
2027	241,944
Thereafter	<u>24,697,236</u>
	<u>\$59,120,083</u>

Debt issuance costs of \$761,181 incurred in connection with the financing are being amortized using the straight-line method over the term of the respective mortgages. Amortization expense for the years ended December 31, 2022 and 2021 was \$9,927 and \$9,927, respectively, and is included in interest expense on the statements of operations. Accumulated amortization is \$209,439 and \$199,512 at December 31, 2022 and 2021, respectively.

Contingent interest payable

Regulatory agreements with the City of Los Angeles provide for possible forgiveness of interest on the Fourth Avenue Limited Partnership note payable of \$1,250,000 and the Navy Blue Apartments Limited Partnership note payable of \$692,000. At the end of the respective 40-year term, accrued interest will be due and payable only if the fair market value of the Property, as defined, exceeds the principal balance of the note plus all superior indebtedness secured against the property.

Due to this contingency, interest on the notes have not been accrued in the consolidated financial statements because the future fair market value of the property at loan maturity is not expected to be sufficient. At December 31, 2022, the contingent cumulative amount of unpaid interest that could be due on the Fourth Avenue Limited Partnership note payable and Navy Blue Apartments Limited Partnership note payable approximated \$1,555,500 and \$602,600, respectively, if the fair market value of the properties were sufficient.

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

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NOTE 3-PPP LOAN

In February 2021, VCHC entered into a loan agreement with Self-Help Federal Credit Union under the Paycheck Protection Program (PPP Loan) through the U.S. Small Business Administration, as authorized in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), for an amount of \$580,576. Pursuant to the CARES Act, the PPP Loan was required to be utilized for fund payroll, mortgage, and utility costs. The PPP Loan was unsecured. The loan and accrued interest were eligible for forgiveness if employment levels were maintained, and utilization of the funds were for their intended purposes.

Since the conditional terms were met in the same period the PPP Loan was received, VCHC has recognized the forgiveness of the PPP Loan during the year ended December 31, 2021. On January 18, 2022, VCHC received notification of forgiveness of the PPP Loan.

NOTE 4-DEFERRED REVENUE

Deferred revenue consists of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Prepaid easement lease	\$ 238,450	\$ 244,725
Deferred grant revenue	<u>18,869,677</u>	<u>1,399,000</u>
Total	<u>\$19,108,127</u>	<u>\$ 1,643,725</u>

The Corporation's prepaid easement lease was entered into over a 40-year term whereas an unrelated entity paid the Corporation \$251,000 for use of certain real property at 5026 Slauson Avenue. The prepayment is being amortized and recognized into revenue over the 40-year term.

The Corporation, 11834 Aviation, LLC, and the County of Los Angeles entered into a grant agreement whereas the County of Los Angeles shall fund the acquisition and new construction of a 48-unit affordable housing property. As of December 31, 2022, funding from the grant totaled \$17,470,677. Management expects to fulfill the obligations and requirements under the grant agreement and will recognize the grant into revenue upon construction completion.

LCLT Capacity Building LLC and Liberty Community Land Trust (Liberty) entered into sub-grant agreements whereas Liberty will grant \$1,479,000 to LCLT Capacity Building LLC for the acquisition and rehabilitation of an affordable housing property in Los Angeles, CA. As of December 31, 2022, funding from the grant totaled \$1,399,000. Management expects to fulfill the obligations and requirements under the sub-grant agreements and will recognize the grant into revenue upon rehabilitation completion.

NOTE 5-RELATED PARTY TRANSACTIONS

In the ordinary course of its operations, VCHC has significant related party transactions with the Affordable Housing Affiliates. Such transactions involve a substantial amount of costs in connection with the development of affordable housing properties. Such fees are eliminated in consolidation.

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Property management fee and other 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.

NOTE 6-NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Housing development	\$ 2,230,637	\$ 1,890,905
General operations (passage of time)	<u>40,000</u>	<u>50,831</u>
	<u>\$ 2,270,637</u>	<u>\$ 1,941,736</u>

NOTE 7-NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor-imposed restrictions for the years ended December 31, 2022 and 2021 by incurring expenses satisfying the restricted purposes, by the passage of time, or by occurrence of other events specified by donors were as follows:

	<u>2022</u>	<u>2021</u>
Community development programs	\$ 504,273	\$ 60,811
Housing development	240,905	34,095
General operations (passage of time)	<u>50,831</u>	<u>142,502</u>
Total net assets released from donor restrictions	<u>\$ 796,009</u>	<u>\$ 237,408</u>

NOTE 8-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

VCHC manages its liquidity by completing annual operating budgets that provide sufficient funds for general expenditures in meeting liabilities and other obligations as they become due, and maintaining cash and cash equivalents that may be drawn upon as needed during the year to manage cash flow and make necessary expenditures. VCHC's cash and cash equivalents are available within one year of the consolidated statements of financial position date to meet cash needs for general expenditures.

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The following reflects VCHC's financial assets as of December 31, 2022, reduced by amounts not available for general use within one year of December 31, 2022 due to internal and external designations. Amounts not available include amounts that could be drawn upon if needed with approval from VCHC's Board of Directors.

Cash and cash equivalents	\$ 13,568,649
Accounts receivable – residents	255,799
Government contracts receivable	202,191
Contributions and grants receivable	<u>208,288</u>
	<u>14,234,927</u>
<i>Internal designations</i>	
Board designated restrictions	(2,220,184)
<i>External designations</i>	
Cash and cash equivalents – VCHC	(441,756)
Resident security deposits	(235,473)
Reserves for replacements	(1,250,023)
Operating reserves	(1,253,306)
Other reserves	<u>(1,006,537)</u>
	<u>(6,407,279)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,827,648</u>

NOTE 9-RETIREMENT SAVINGS PLAN

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

NOTE 10-COMMITMENTS AND CONTINGENCIES

Operating leases

During construction of its new facilities, VCHC temporarily leased its offices through December 2021 under an operating lease requiring monthly rent payments of \$5,750. VCHC also leases additional program space through an operating lease that expired July 31, 2021, and required monthly rent payments of \$6,000, increasing 6% per annum. The lease was extended through 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. Rent expense totaled \$128,883 and \$211,991 for the years ended December 31, 2022 and 2021, respectively. The future minimum rental payments under the operating leases are summarized as follows:

2023	<u>\$ 52,523</u>
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LCLT Capacity Building LLC ground lease

In 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 99 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.

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.

Guaranties

As the General Partner in various Affordable Housing Affiliates, VCHC has entered into certain guarantees with the investor limited partner, as defined in the partnership agreements, including construction completion and the following:

Operating deficit guaranty

VCHC has guaranteed to loan funds to the operating partnerships or its affiliated general partner whereby VCHC guarantees the loan funds to the partnerships in the event that the partnerships incur operating deficits, as defined, or fail to meet its 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 non-interest bearing 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 as discussed below.

Credit recapture guaranty

In the event of a recapture of tax credits received by the 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 investor limited partner. As of December 31, 2022, 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 investor 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. Management believes that the future revenues and the value of underlying assets of these partnerships will be sufficient to meet their obligations.

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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 residents 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 deem the contingency remote and plans to meet the conditions and provisions as set forth in the regulatory agreements.

Recoverable Subsidy Grant – Horizon Apartments

VCHC was awarded a recoverable subsidy grant from the City of Los Angeles Housing Authority, under the Continuum Care Program, in connection with the rental operations at Horizon Apartments. Under the terms of the contract, VCHC must provide residents 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.

Economic conditions

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies.

Contingent interest payable – see Note 2

NOTE 11-SUBSEQUENT EVENTS

720 Rose, L.P.

On February 1, 2023, 720 Rose completed its permanent financing conversion, which included, among other things, the repayment of the construction loan in full, funding of various reserves and partial payment of the outstanding development fee payable.

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FINANCING SUMMARY DECEMBER 31, 2022						
Entity	Lender	Collateral	Original Loan Amount	Maturity Date	Interest Rate	Principal Balance at 12/31/2022
Venice Community Housing Corporation	Chase Bank LISC	920 6th Avenue	\$ 168,000	3/2028	8.21%	\$ 64,163
	City of LA	204 Lincoln / 4216 Centinela	1,710,279	3/2038	5.25%	1,481,378
	City of LA	640 Westminster	300,000	1/2034	3.00%	300,000
	Congregation Supportive	920 6th Avenue	46,000	12/2028	0.00%	39,424
	Nonprofit Finance Fund	unsecured	250,000	7/2024	1.00%	250,000
		511 Brooks Avenue	3,273,000	12/2023	6.00%	2,332,562
		Line of Credit	1,000,000	6/2023	5.50%	398,894
						181,341
Fourth Avenue Limited Partnership	Citibank	Tabor Courts	361,400	12/2026	4.32%	93,529
	Citibank	Tabor Courts	112,210	12/2026	0.00%	112,210
	VCHC/LAHD	Tabor Courts	1,250,000	8/2036	5.00% *	1,250,000
						483
Navy Blue Apartments Limited Partnership	HCD	Navy Blue Apartments	398,500	7/2033	3.00%	365,297
	LAHD	Navy Blue Apartments	692,000	7/2024	3.00% *	692,000
						11,277
12525 Washington Place, L.P.	Pacific Life	Washington Place	627,000	3/2028	4.93%	205,684
	Bank of America	Washington Place	138,000	9/2051	0.00%	138,000
	VCHC / City of LA	Washington Place	1,500,000	10/2026	5.00%	1,500,000
						1,681,692
Horizon Apartments, LLC	HCD	Horizon Apartments	2,720,840	6/2067	3.00%	2,720,840
	CalHFA	Horizon Apartments	1,261,632	1/2026	3.00%	1,261,632
	LAHD	Horizon Apartments	750,000	9/2034	0.00%	359,375
						4,341,847
VCHC Pacific Apartments, LLC	Sun West	Pacific Apartments	2,500,000	11/2047	2.85%	2,013,622
						5,385
VCHC Gateway, L.P.	LACDA	Gateway Apartments	3,000,000	12/2069	3.00%	3,000,000
	LAHD	Gateway Apartments	1,071,261	11/2056	4.00%	1,071,261
						\$ 4,071,261
						\$ 1,018,346

See notes to financial statements

**VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)**

FINANCING SUMMARY							
DECEMBER 31, 2022							
Entity	Lender	Collateral	Original Loan Amount	Maturity Date	Interest Rate	Principal Balance at 12/31/2022	Accrued Interest at 12/31/2022
720 Rose, L.P.	City of Los Angeles	720 Rose	\$ 11,603,010	2/2023	4.08%	\$ 11,185,534	\$ 34,078
	City of LA	720 Rose	6,888,468	4/2077	3.00%	3,899,119	154,345
	LACDA	720 Rose	2,890,000	4/2077	0.00%	2,840,000	-
						17,924,653	188,423
845 Venice LLC	LACDA	Marian Place	1,880,000	11/2078	0.00%	1,287,033	-
	LISC	Marian Place	865,000	10/2044	2.00%	275,332	-
						1,562,365	-
Liberty 4345 Crenshaw MGP, LLP	CHC	Crenshaw	3,350,000	3/2025	5.50%	2,904,350	-
	CHC	Crenshaw	1,500,000	3/2025	6.00%	21,035	-
	LCLT	Crenshaw	350,000	4/2025	4.00%	350,000	-
						3,275,385	-
1634 20th Street MGP LLC	Supportive	1634 20th Street	10,673,000	11/2024	5.50%	8,555,739	39,214
						8,555,739	39,214
2471 Lincoln, L.P.	Bank of America	The Journey Apartments	16,206,748	8/2024	5.50%	4,902,070	24,160
	LACDA	The Journey Apartments	1,500,000	2/2079	0.00%	1,500,000	-
	LACDA	The Journey Apartments	2,000,000	2/2079	3.00%	1,750,000	44,625
						8,152,070	68,785
					Total	\$ 59,120,083	\$ 4,378,370
					Less: Current Portion	14,147,676	86,033
					Long Term Portion	\$ 44,972,407	\$ 4,292,337

Legend

LISC - Local Initiatives Support Corporation
 Congregation - Congregation of the Sisters of Charity of the Incarnate World
 Supportive - Supportive Housing Solutions Fund, LLC
 HCD - California Department of Housing and Community Development
 LAHD - Los Angeles Housing Department
 Pacific Life - Pacific Life Insurance Company

City of LA - City of Los Angeles
 CalHFA - California Housing Finance Agency
 Sun West - Sun West Mortgage Company, Inc.
 LCLT - Liberty Community Land Trust
 CHC - Century Housing Corporation

*The regulatory agreement between the affordable housing entity and the lender provides for possible forgiveness of interest. At the end of the term, accrued interest will be due and payable only if the fair market value of the property, as defined, exceeds the principal balance of the note plus all superior indebtedness secured against the property. Due to this contingency, interest on the note has not been accrued in the financial statements.

See notes to financial statements

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	ASSETS			
	VCHC	Affordable Housing Affiliates	Elimination Adjustments	Total
Current assets				
Cash and cash equivalents				
Cash	\$ 3,140,918	\$ 6,682,392	\$ -	\$ 9,823,310
Resident security deposits	78,622	156,851	-	235,473
Reserves for replacements	-	1,250,023	-	1,250,023
Operating reserves	289,060	964,246	-	1,253,306
Other reserves	64,673	941,864	-	1,006,537
Total cash and cash equivalents	3,573,273	9,995,376	-	13,568,649
Accounts receivable - residents, net	46,418	209,381	-	255,799
Due from affiliates	4,277,166	-	(4,277,166)	-
Government contracts receivable	202,191	-	-	202,191
Contributions and grants receivable	1,109,541	151,182	(1,052,435)	208,288
Prepaid expenses and other current assets	75,302	17,241	-	92,543
Deposits	7,295	12,410	-	19,705
Total current assets	9,291,186	10,385,590	(5,329,601)	14,347,175
Property and equipment				
Land	2,281,348	22,095,558	-	24,376,906
Buildings and improvements	3,868,853	45,252,262	(2,480,642)	46,640,473
Furniture and equipment	283,690	646,015	-	929,705
Construction in progress and predevelopment costs	47,844	21,023,184	(1,209,362)	19,861,666
	6,481,735	89,017,019	(3,690,004)	91,808,750
Less: accumulated depreciation	(2,676,888)	(8,740,823)	17,500	(11,400,211)
Total property and equipment	3,804,847	80,276,196	(3,672,504)	80,408,539
Other assets				
Unamortized costs, net	-	66,199	-	66,199
Investment in unconsolidated entity	2,920,881	-	(2,670,881)	250,000
Notes receivable	1,250,000	-	(1,250,000)	-
Total other assets	4,170,881	66,199	(3,920,881)	316,199
	\$ 17,266,914	\$ 90,727,985	\$ (12,922,986)	\$ 95,071,913

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

LIABILITIES AND NET ASSETS

	VCHC	Affordable Housing Affiliates	Elimination Adjustments	Total
Current liabilities				
Accounts payable and accrued expenses	\$ 229,405	\$ 4,159,149	\$ (3,865,927)	\$ 522,627
Construction and development costs payable	-	3,789,164	(1,735,034)	2,054,130
Accrued interest payable	5,759	80,274	-	86,033
Due to affiliates	-	4,924	(1,349)	3,575
Prepaid revenue	13,328	31,110	-	44,438
Current maturities of notes payable	2,811,269	11,336,407	-	14,147,676
Total current liabilities	3,059,761	19,401,028	(5,602,310)	16,858,479
Deposit liabilities, resident security deposits	59,195	145,335	-	204,530
Long term liabilities				
Notes payable, net of current maturities	3,305,152	42,917,255	(1,250,000)	44,972,407
Less: debt issuance costs	36,553	(588,295)	-	(551,742)
Accrued interest payable	175,582	4,128,564	(11,809)	4,292,337
Deferred revenue	238,450	18,869,677	-	19,108,127
Total long-term liabilities	3,755,737	65,327,201	(1,261,809)	67,821,129
Total liabilities	6,874,693	84,873,564	(6,864,119)	84,884,138
Net assets - without donor restrictions				
Controlling	8,121,584	(43,061)	(6,058,867)	2,019,656
Noncontrolling	-	5,897,482	-	5,897,482
Total net assets - without donor restrictions	8,121,584	5,854,421	(6,058,867)	7,917,138
Net assets - with donor restrictions	2,270,637	-	-	2,270,637
Total net assets	10,392,221	5,854,421	(6,058,867)	10,187,775
	\$ 17,266,914	\$ 90,727,985	\$ (12,922,986)	\$ 95,071,913

VENICE COMMUNITY HOUSING CORPORATION AND AFFILIATES
(A CALIFORNIA NONPROFIT CORPORATION)

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEAR ENDED DECEMBER 31, 2022

	VCHC	Affordable Housing Affiliates	Elimination Adjustments	Total
Public support and revenue				
Contributions and grants	\$ 1,397,098	\$ -	\$ -	\$ 1,397,098
Government contracts	1,776,510	-	-	1,776,510
Special events revenue	235,200	-	-	235,200
Cancellation of debt	-	112,500	-	112,500
Management and developer fee	1,437,369	19,953	(1,457,322)	-
Operating subsidy revenue	-	49,064	-	49,064
Rental revenue	961,716	2,539,696	(67,949)	3,433,463
Interest income	4,554	15,936	-	20,490
Other revenue	56,944	20,848	-	77,792
Total public support and revenue	5,869,391	2,757,997	(1,525,271)	7,102,117
Expenses				
Bad debt expense	2,972	1,536	-	4,508
Salaries, benefits, and taxes	2,979,007	507,760	-	3,486,767
Professional fees	152,803	184,444	(132,325)	204,922
Job training and supplies	99,291	128	-	99,419
Program expenses	221,197	7,011	-	228,208
Rent	128,883	134,801	(59,069)	204,615
Office and administration	235,558	60,794	-	296,352
Conference, training and travel	77,292	14,525	-	91,817
Management and tenant service fees	-	139,094	(139,094)	-
Fundraising and outreach	245,073	-	-	245,073
Maintenance and repairs	240,657	365,169	-	605,826
Utilities	142,846	315,389	-	458,235
Insurance, property tax, license and fees	144,633	289,380	-	434,013
Advertising	3,085	63,039	-	66,124
Abandoned project costs	-	-	-	-
Interest expense and finance fees	123,113	810,216	-	933,329
Depreciation and amortization	154,498	1,084,768	-	1,239,266
Total expenses	4,950,908	3,978,054	(330,488)	8,598,474
Changes in net assets (deficit)	\$ 918,483	\$ (1,220,057)	\$ (1,194,783)	\$ (1,496,357)