



HOLTHOUSE
CARLIN &
VAN TRIGT_{LLP}

**L.A. FAMILY HOUSING CORPORATION
AND AFFILIATED ORGANIZATIONS**
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS
DECEMBER 31, 2014

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
DECEMBER 31, 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 – 2
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3 – 4
Consolidated Statement of Activities and Change in Net Assets	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 – 28
Supplementary Information	
Schedule I – Additional Information to the L.A. Family Housing Corporation's Consolidated Financial Statements (Unaudited)	30
Schedule II – Consolidating Statement of Financial Position	31 – 34
Schedule III – Consolidating Statement of Activities and Changes in Net Assets	35 – 36
Supplementary Information Required by HCD for Cochran Villa, Inc.	
Schedule IV – Schedule of Operations	37 – 39
Schedule V – Supplementary Information Required by HCD	40 – 42
Schedule VI – Computation of Operating Cash Flow/Surplus Cash	43
Schedule VII – Schedule of Expenditures of Federal Awards	44 – 46
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47 – 48
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	49 – 50
Schedule of Findings and Questioned Costs	51
Managing Agent Certification	52
Mortgagor's Certification	53

Independent Auditor's Report

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

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of L.A. Family Housing Corporation and Affiliated Organizations (collectively, L.A. Family Housing), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of L.A. Family Housing as of December 31, 2014, and the change in net assets, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors' Report
(Continued)

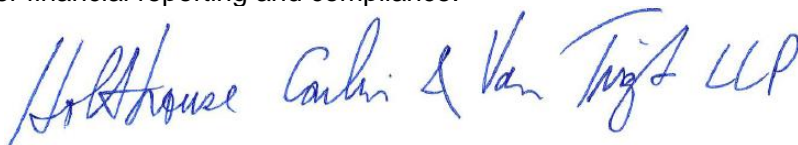
Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules II and III is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. The accompanying supplementary information in Schedules IV through VI consists of information required by HCD for one of the Organization's wholly owned entities and is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. In addition, the accompanying schedule of expenditures of federal awards (Schedule VII) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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.

The supplementary information included in Schedule I is presented for purposes of additional analysis and is not presented on a US GAAP basis, but has been modified to reflect the effects of certain non-cash expenditures. Such information is not a required part of the consolidated financial statements and is the responsibility of management; the information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and, accordingly we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2015 on our consideration of L.A. Family Housing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering L.A. Family Housing's internal control over financial reporting and compliance.



Los Angeles, California
June 30, 2015

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

Assets	
Current assets	
Cash and cash equivalents	\$ 1,336,551
Contribution receivable due within one year	614,667
Contract receivables due within one year	1,485,306
Unbilled contract receivable due within one year	184,150
Receivables - rental	40,270
Operational reserve, available for current use	1,146,347
Prepaid expenses and other assets	<u>102,013</u>
Total current assets	<u>4,909,304</u>
Security deposits and client trust accounts	<u>427,140</u>
Restricted property reserves	
Operating reserves	1,073,316
Replacement reserves	974,335
Transition reserve	<u>488,464</u>
Total restricted property reserves	<u>2,536,115</u>
Other restricted cash accounts	<u>304,532</u>
Contribution receivable	<u>926,202</u>
Property held for lease, at cost	
Land	5,631,369
Buildings and building improvements	<u>29,660,970</u>
Total property held for lease, at cost	35,292,339
Less: accumulated depreciation	<u>(10,155,213)</u>
Property held for lease, net	<u>25,137,126</u>
Property, at cost	
Land	1,410,735
Buildings and building improvements	12,036,080
Furniture and equipment	2,018,260
Automobiles	<u>218,198</u>
Total property, at cost	15,683,273
Less: accumulated depreciation	<u>(8,447,594)</u>
Property, net	<u>7,235,679</u>
Real estate under development (Note 9)	631,838
Real estate and other assets held in controlled limited partnerships (Note 7)	29,124,115
Deferred costs, net	<u>118,529</u>
Total assets	<u>\$71,350,580</u>

See accompanying notes to consolidated financial statements.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(CONTINUED)

Liabilities and Net Assets (Deficit)

Current liabilities	
Accounts payable and accrued expenses	\$ 474,106
Current portion of notes payable	532,973
Current portion of accrued interest payable	8,699
Accrued payroll	323,073
Deferred revenues	<u>292,062</u>
Total current liabilities	1,630,913
Tenant liabilities	
Notes payable secured by real property, net of current portion	402,731
Notes payable and other liabilities related to controlled limited partnerships (Note 7)	32,877,440
Accrued interest payable, net of current portion	<u>19,495,081</u>
Total liabilities	<u>61,628,845</u>
Commitments and contingencies (see Notes)	
Net assets (deficit)	
Unrestricted	(4,264,179)
Controlling interest in limited partnerships (Note 7)	212,501
Noncontrolling interest in limited partnerships (Note 7)	<u>8,530,190</u>
Total unrestricted	4,478,512
Temporarily restricted (Note 2)	<u>5,243,223</u>
Total net assets (deficit)	<u>9,721,735</u>
Total liabilities and net assets (deficit)	<u>\$71,350,580</u>

See accompanying notes to consolidated financial statements.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
Public support and revenues			
Government contracts and grants	\$ 6,954,814	\$ -	\$ 6,954,814
Private contributions (corporate, foundation and individuals)	2,745,218	2,902,210	5,647,428
Contributed goods and services (Note 2)	632,871	-	632,871
Special events revenues	1,131,751	-	1,131,751
Total public support and revenues	11,464,654	2,902,210	14,366,864
Other revenues			
Rental revenues, net	3,310,118	-	3,310,118
Other revenues	160,754	-	160,754
Total other revenues	3,470,872	-	3,470,872
Net assets released from restrictions	1,632,000	(1,632,000)	-
Total public support, other revenues and net assets released from restrictions	16,567,526	1,270,210	17,837,736
Expenses			
Program services			
Emergency services - Valley Shelter	2,862,643	-	2,862,643
Transitional and emergency housing - Comunidad Cesar Chavez	827,305	-	827,305
Transitional - Transitional Living Center	2,260,291	-	2,260,291
Permanent affordable housing	4,921,902	-	4,921,902
Real estate program activities	360,726	-	360,726
Residential services program	2,848,686	-	2,848,686
Total program services	14,081,553	-	14,081,553
Supporting services			
Management and general	466,401	-	466,401
Fundraising and development	815,916	-	815,916
Total supporting services	1,282,317	-	1,282,317
Total expenses	15,363,870	-	15,363,870
Change in net assets	1,203,656	1,270,210	2,473,866
Net assets, beginning of the year	(4,688,809)	3,973,013	(715,796)
Noncontrolling interests contributions (Note 7)	8,043,665	-	8,043,665
Syndication costs	(80,000)	-	(80,000)
Net assets, end of the year	\$ 4,478,512	\$ 5,243,223	\$ 9,721,735

See accompanying notes to consolidated financial statements.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services						Supporting Services			Total Expenses	
	Valley Shelter	Comunidad Cesar Chavez	Transitional Living Center	Permanent Affordable Housing	Real Estate Program Activities	Residential Services Program	Subtotal Program Services	Management and General	Fundraising and Development		Subtotal Supporting Services
	Bad debt expense from tenants	\$ 520	\$ -	\$ -	\$ 11,468	\$ -	\$ -	\$ 11,988	\$ 839		\$ -
Client food and meals	193,225	20	159,317	-	-	791	353,353	-	-	-	353,353
Client supplies/program expense	129,461	7,001	70,657	-	-	1,223,913	1,431,032	-	22	22	1,431,054
In-kind expenses	192,624	90,796	309,889	2,096	-	2,750	598,155	31,216	3,500	34,716	632,871
Office equipment and supplies	28,794	4,450	10,142	22,643	3,267	26,449	95,745	44,547	19,696	64,243	159,988
Operating and other expenses of limited partnerships	-	-	-	525,289	-	-	525,289	-	-	-	525,289
Other operating expenses	2,479	992	1,456	21,374	787	56,607	83,695	77,076	90,350	167,426	251,121
Personnel expenses	6,890	2,186	6,002	13,320	6,040	27,716	62,154	37,734	4,388	42,122	104,276
Professional and legal fees	22,449	5,357	16,557	78,982	61,615	12,437	197,397	112,903	4,508	117,411	314,808
Property insurance	34,386	15,613	17,016	173,539	635	22,636	263,825	7,052	934	7,986	271,811
Property management and development	-	-	-	167,935	-	-	167,935	-	-	-	167,935
Property taxes and other fees	4,580	1,718	6,065	43,533	-	-	55,896	9,516	-	9,516	65,412
Rent expense	-	-	-	-	-	28,802	28,802	-	28	28	28,830
Repairs and maintenance	144,569	37,605	124,600	617,173	-	374	924,321	993	166	1,159	925,480
Salaries, taxes, and benefits	1,679,450	500,232	1,194,207	551,137	282,592	1,401,457	5,609,075	88,185	491,220	579,405	6,188,480
Special events/fundraising	230	-	-	-	3,726	4,517	8,473	3,606	196,252	199,858	208,331
Utilities	140,598	55,890	143,985	393,103	2,064	20,147	755,787	11,618	4,852	16,470	772,257
Vehicle expenses	142	2,892	264	13,093	-	20,090	36,481	4,629	-	4,629	41,110
Total before financial expenses	2,580,397	724,752	2,060,157	2,634,685	360,726	2,848,686	11,209,403	429,914	815,916	1,245,830	12,455,233
Interest expense	106,104	21,073	57,079	1,078,365	-	-	1,262,621	23,398	-	23,398	1,286,019
Total before depreciation and amortization	2,686,501	745,825	2,117,236	3,713,050	360,726	2,848,686	12,472,024	453,312	815,916	1,269,228	13,741,252
Depreciation and amortization	176,142	81,480	143,055	1,208,852	-	-	1,609,529	13,089	-	13,089	1,622,618
Total expenses	<u>\$ 2,862,643</u>	<u>\$ 827,305</u>	<u>\$ 2,260,291</u>	<u>\$ 4,921,902</u>	<u>\$ 360,726</u>	<u>\$ 2,848,686</u>	<u>\$ 14,081,553</u>	<u>\$ 466,401</u>	<u>\$ 815,916</u>	<u>\$ 1,282,317</u>	<u>\$ 15,363,870</u>

See accompanying notes to consolidated financial statements.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

Cash flows from operating activities	
Change in net assets	\$ 2,473,866
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,622,618
Private contributions - debt forgiveness	(1,699,574)
Change in operating assets and liabilities:	
Contributions receivable	(1,290,869)
Contract receivables	(177,783)
Receivables - rental	(14,360)
Prepaid expenses and other assets	(26,921)
Security deposits and client trust accounts	17,013
Accounts payable and accrued expenses	119,061
Accrued interest payable	864,412
Accrued payroll	(1,712)
Deferred revenues	283,701
Tenant liabilities	(24,743)
Net cash provided by operating activities	<u>2,144,709</u>
Cash flows from investing activities	
Expenditures for real estate under development and other property	(6,605,489)
Net change in operational reserves	(148,136)
Net change in restricted property reserves	(52,368)
Deposits to other restricted cash	(286,425)
Cash used in investing activities	<u>(7,092,418)</u>
Cash flows from financing activities	
Proceeds from notes payable	5,938,790
Payment of notes payable	(278,124)
Expenditures for deferred costs	(15,397)
Net cash provided by financing activities	<u>5,645,269</u>
Net change in cash and cash equivalents	697,560
Cash and cash equivalents, beginning of year	638,991
Cash and cash equivalents, end of year	<u>\$ 1,336,551</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest, including controlled limited partnerships of \$119,137	<u>\$ 421,607</u>
Cash paid for taxes, including controlled limited partnerships of \$4,078	<u>\$ 14,862</u>
Non-cash transactions:	
Unpaid capitalized construction costs	<u>\$ 47,479</u>
Limited partner receivable - contributions	<u>\$ 8,043,665</u>
Capitalized interest	<u>\$ 86,636</u>
Contribution of goods and services	<u>\$ 632,871</u>
Reclassification of syndication costs to net assets	<u>\$ 80,000</u>

See accompanying notes to consolidated financial statements.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1. ORGANIZATION

L.A. Family Housing Corporation and Affiliated Organizations (collectively, L.A. Family Housing) are corporations organized under the General Nonprofit Corporation Law of the State of California. These corporations serve homeless and low-income families and individuals of the Los Angeles area by providing supportive services with its emergency and transitional shelter programs and permanent rental housing.

L.A. Family Housing Corporation wholly owns and operates:

- L.A. Family Housing – provides administration and management services for the various programs of L.A. Family Housing
- Comunidad Cesar Chavez (previously known as Chernow House and Triangle Apartments) – a 146-bed, 27-unit complex located in the Boyle Heights area of Los Angeles, California, which provides emergency shelter for up to four months for homeless families
- Sydney M. Irmas Transitional Living Center (TLC) – a 260-bed, 65-unit property located in North Hollywood, California, which provides supportive services with emergency shelter and transitional housing for homeless families
- Gentry Village – a 3-unit complex located in North Hollywood, California, which provides permanent housing for families with low income
- Martin Luther King, Jr. (MLK) – a 7-unit complex located in Los Angeles, California, which provides permanent housing for families with low income
- Strong House – a 6-unit historical mansion located in Los Angeles, California, which provides permanent housing for families with low income
- Gentry North – a 5-unit apartment building located in North Hollywood, California, which provides permanent housing for families and single adults with low income
- Casa Figueroa – a 4-unit complex located in Los Angeles, California, which provides permanent housing for families with low income
- Hyde Park – a 25-unit complex in Inglewood, California, which provides permanent housing for families with low income
- Klump – a 26-unit, single-room occupancy complex located in North Hollywood, California, which provides permanent housing for single adults with low income
- Delano I – a 9-unit complex located in Van Nuys, California, which provides permanent housing for families with low income
- Delano II – a 9-unit complex located in Van Nuys, California, which provides permanent housing for families with low income

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1. ORGANIZATION (Continued)

Incorporated affiliated organizations represent housing complexes that are individually incorporated under the laws of the state of California, have independent boards of directors, but are directly governed by L.A. Family Housing's board of directors and are centrally managed in conjunction with L.A. Family Housing's housing programs. As of December 31, 2014, L.A. Family Housing included five limited partnerships (Partnerships) and two limited liability companies (LLCs) in its consolidated financial statements as it has a 100% ownership interest in these entities. Accordingly, the assets, liabilities, support, revenues and expenses of the following affiliated organizations are consolidated in the financial statements of L.A. Family Housing:

- L.A.F.H. Temporary Housing Corp. I (Valley Shelter) – a nonprofit California corporation established to manage a 250-bed property located in North Hollywood, California, which provides emergency shelter and transitional housing for homeless single adults
- L.A.F.H. Permanent Housing Corp. I (Casa Central) – a nonprofit California corporation established to manage a 6-unit complex located in Los Angeles, California, which provides permanent housing for families with low income
- Cochran Villa Inc. (Cochran Villa) – a nonprofit California corporation established to manage a 10-unit complex located in Los Angeles, California, which provides permanent housing for families with low income
- Harmony Villa, Inc. (Harmony Place) – a nonprofit California corporation established to manage an 18-unit complex located in North Hollywood, California, which provides permanent housing for families with low income and owns a 1% interest in Glenoaks Gardens Limited Partnership
- Apartments at Day Street, LLC (Apartments at Day Street) – a single member California LLC established to be the general partner for Day St., L.P. and owns a 0.01% interest
- L.A. Family Housing, LLC (LAFH, LLC) – a single member California LLC established to be the limited partner for various partnerships and, combined with L.A. Family Housing Corporation's interest, owns 100% interest in the partnerships listed below
- Glenoaks Gardens Limited Partnership (Glenoaks Gardens) – a California limited partnership which developed and owns a 61-unit residential apartment complex in Sun Valley, California, that provides permanent supportive housing for homeless adults with a qualifying mental health diagnosis and qualifying low-income individuals
- Vineland Place Limited Partnership (Vineland Place) – a California limited partnership which owns an 18-unit residential apartment complex located in Sun Valley, California, that rents to qualified low-income tenants
- Alabama Court Limited Partnership (Alabama Court) – a California limited partnership which owns a 42-unit complex located in Canoga Park, California, that rents to qualified low-income tenants

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1. ORGANIZATION (Continued)

- Harmony Gardens Limited Partnership (Harmony Gardens) – a California limited partnership which owns a 14-unit complex located in North Hollywood, California, that rents to qualified low-income tenants
- 11754 Vanowen Gardens Limited Partnership (Vanowen Gardens) – a California limited partnership which owns a 15-unit complex located in North Hollywood, California, that rents to qualified low-income tenants

L.A. Family Housing Corporation is the general partner of three limited partnerships that are invested in residential apartment complexes that qualify for low-income housing tax credits under Section 42 of the Internal Revenue Code and rent to qualified low-income tenants. Apartments at Day Street, is the general partner of a limited partnership that is invested in a permanent supportive housing complex placed in service during 2014. L.A. Family Housing Corporation holds up to a 1% controlling ownership interest in each of these three partnerships, which have been consolidated in the accompanying consolidated financial statements (Notes 2 and 7):

- 13436 Victory Partners, L.P. (Victory Partners) – a California limited partnership which owns a 15-unit complex located in North Hollywood, California, that rents to qualified low-income tenants
- 14649 Saticoy Partners, L.P. (Saticoy Partners) – a California limited partnership which owns a 30-unit complex located in Van Nuys, California, that rents to qualified low-income tenants
- Day Street, L.P. (Day Street) – a California limited partnership which owns a 46-unit permanent supportive housing complex located in Tujunga, California, that rents to qualified low-income tenants

L.A. Family Housing has entered into various regulatory agreements with agencies, which govern the ownership, occupancy, management, and maintenance and operations of the projects.

Description of Programs

Emergency services and housing provide families and individuals with up to 90 days of shelter, food and supportive services.

Transitional housing provides shelter, food and supportive services for up to two (2) years.

Permanent affordable housing provides affordable rental housing to low-income families and individuals, including former residents of the agency's homeless programs.

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

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1. ORGANIZATION (Continued)

Description of Programs (Continued)

The residential services program provides supporting services designed to facilitate program goals and meet client needs. Services may be provided by L.A. Family Housing staff through a contract with a partner agency and include:

- Case Management and Life Skills Training
- Employment Training, Placement and Retention Services
- Housing Placement and Retention Services
- Licensed Pre-School, After-School and Child Enrichment Programs
- Medical and Mental Health Services
- Substance Abuse Counseling

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying 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 and include the accounts of L.A. Family Housing and investments in limited partnerships or limited liability companies in which L.A. Family Housing has a controlling interest. These entities are included in the consolidation in accordance with generally accepted accounting principles, 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 L.A. Family Housing. 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.

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

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of L.A. Family Housing.
- Noncontrolling interests in limited partnerships – The noncontrolling interests in limited partnerships represent the limited partners' equity interest in the non-wholly owned limited partnerships that are included in the consolidated financial statements (Note 7).
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of L.A. Family Housing and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated financial statements as net assets released from restrictions. As of December 31, 2014, there were temporarily restricted net assets of \$2,341,013 relating to Emergency Housing and Assistance Program (EHAP) loans (Note 4) and \$2,341,013 relating to private grants.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity. Investment income generated from these funds is available for general support of L.A. Family Housing's programs and operations unless otherwise stipulated by the donor. As of December 31, 2014, L.A. Family Housing had no permanently restricted net assets.

Statement of Cash Flows

For purposes of the consolidated statement of cash flows, L.A. Family Housing considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash equivalents.

Restricted Operating, Replacement and Transition Reserves

L.A. Family Housing has set up certain operating, replacement and transition reserve accounts and continues to make annual deposits as required by the various loan and regulatory agreements. Reserve funds are included as restricted property reserves in the accompanying consolidated statement of financial position as of December 31, 2014.

Also, L.A. Family Housing voluntarily established an operating reserve for the purposes of funding unanticipated operating deficits. The reserve is funded from the available cash flow and is available for current use.

Public Support and Private Revenue Recognition

L.A. Family Housing receives contract and grant funding from federal, state and local agencies for providing emergency shelter, transitional housing and supportive services. Revenues from such grants are recognized as they are earned through expenditure in accordance with agreements. Any funds received in advance of the expenditure being incurred are recorded as deferred revenue.

Contributions are recognized at the earlier of the date of receipt of funds or the date of a formal, unconditional pledge from known donors. Contributions or unconditional promises to give with payments due in future periods are discounted to present value and reported as temporarily restricted revenue. Any funds received in advance of a condition being met are recorded as temporarily restricted revenues.

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

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

Developer fees are recognized during the construction period based on the percentage of construction complete. Amounts not received by the by the completion date are recorded as a receivable. Developer fees are eliminated during consolidation.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Events

L.A. Family Housing conducts several special events during the year to raise money in support of its operations. Special events revenues include corporate contributions and are recognized when the event is held. 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.

Accounts Receivable and Bad Debt Expense

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Rental Subsidy

A portion of the rental revenue is in the form of subsidy payments from U.S Department of Housing and Urban Development (HUD) under Section 8 of the National Housing Act. Tenants are subsidized based upon their level of income.

Property

Property, including projects under development, is stated at cost. Depreciation of assets is calculated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Life</u>
Buildings and building improvements	40 years
Land improvements and site work	20 years
Furniture and equipment	5-7 years

L.A. Family Housing 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 or loss is included in operations. Abandoned projects are expensed when management determines the project is not feasible. Interest costs directly related to, and incurred during, a project's construction period are capitalized (Note 7 and 9).

L.A. Family Housing reviews its property for impairment whenever events or circumstances indicate the carrying amount of an asset may or may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended December 31, 2014.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
 (A NONPROFIT CALIFORNIA CORPORATION)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Costs

Deferred costs consist of permanent loan costs which are amortized over the lives of the related loans using a straight-line method which approximates the effective interest rate method. Deferred costs as of December 31, 2014 are as follows:

Permanent loan costs	\$ 162,120
Less: accumulated amortization	<u>(43,591)</u>
Deferred costs, net	<u>\$ 118,529</u>

Contributed Goods and Services

The value of significant contributed goods and services are reflected as contributions in the consolidated financial statements at the fair value at the date of contribution. Contributed goods, consisting primarily of household supplies, hygiene products, equipment, food and contributed services, which totaled \$632,871 for the year ended December 31, 2014, are included in the accompanying consolidated financial statements as contributed goods and services revenue and in-kind expenses.

Functional Allocation of Expenses

The costs of providing L.A. Family Housing's programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, expenses identified with a specific program or supporting service are allocated directly to the related program or supporting service. Expenses associated with more than one program or supporting service are allocated by management based on an evaluation of L.A. Family Housing's activities.

The functional classifications are defined as follows:

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

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

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

No provision for income taxes has been made for the consolidated partnerships or the consolidated LLCs as any income or loss is included in the tax returns of the partners or members. The federal tax status as a pass-through entity is based on its legal status as a partnership or LLC. The Partnerships and LLCs are required to file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Partnerships and LLCs have no other tax positions which must be considered for disclosure. With few exceptions, the Partnerships and LLCs are no longer subject to income tax examinations by tax authorities for years before 2010. The Partnerships and LLCs are required to pay an \$800 fee to the California Franchise Tax Board. There are no current tax examinations pending.

Concentrations of Business and Credit Risk

L.A. Family Housing's cash and cash equivalents are maintained in various bank accounts. L.A. Family Housing has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. L.A. Family Housing believes that its credit risk is not significant.

L.A. Family Housing receives a significant amount of revenue from government grants, as well as from affordable housing projects in which it is the general partner. These sources of funds are dependent upon the availability of funds from federal programs, as well as the continued success of the affordable housing projects.

L.A. Family Housing, either as a direct owner or general partner, has an economic interest in various rental properties. These properties are subject to business risks associated with the economy and level of unemployment in Southern California, which affect occupancy as well as the tenants' ability to make rental payments. The operations of properties receiving grant funding are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress, local government 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.

For the year ended December 31, 2014, L.A. Family Housing had four (4) federal grants which accounted for 80% of its public support and revenues (Schedule VII).

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
 (A NONPROFIT CALIFORNIA CORPORATION)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Exemption

L.A. Family Housing's property held for lease is generally exempt from real property taxes. In the event such exemption is not renewed annually or no longer available, L.A. Family Housing's cash flow would be negatively impacted.

Use of Estimates

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, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include in-kind contributions of goods and services, the treatment of loans and related contingent interest owed on loans to be forgiven if the properties comply with loan requirements, and the gross profit margin on developer fees charged to properties developed. Actual results may differ from those estimates.

NOTE 3. CONTRIBUTIONS AND GRANTS RECEIVABLE

At December 31, 2014, L.A. Family Housing had contributions receivable of \$614,667, contract receivable from federal awards of \$1,485,306, and unbilled grants receivable from federal awards of \$184,150, which are expected to be received within one year.

As of December 31, 2014, future contribution payments are as follows:

<u>Year Ending December 31,</u>	
2015	\$ 614,667
2016	311,667
2017	311,201
2018	286,667
2019	16,667
Thereafter	-
	<u>\$ 1,540,869</u>

NOTE 4. NOTES PAYABLE

A summary of notes payable as of December 31, 2014 is as follows:

Gentry North:

Note payable to Century Housing Corporation, borrowings up to \$500,000, secured by a first deed of trust on property and assignment of rents, bearing interest at 6%, requiring monthly interest and principal payments of \$9,666, unpaid interest and principal are due October 2015.

\$ 103,942

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4. NOTES PAYABLE (Continued)

Comunidad Cesar Chavez:

Triangle House:

Note payable to U.S. Bank, N.A., original borrowings up to \$250,000, interest at 6%. Principal and interest payments of \$1,625 are due monthly. Loan is secured by deed of trust. All unpaid principal and interest are due March 2018. \$ 174,938

Chernow House:

Note payable to the Los Angeles Housing Community Investment Department (HCIDLA, CRA/LA), secured by deed of trust on property, payable from residual receipts, as defined, simple interest rate of 3%, and all unpaid principal and interest are due July 2018. 590,608

Total notes payable – Comunidad Cesar Chavez 765,546

Gentry Village:

Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, due September 2019, payable from residual receipts, as defined, accrues at a simple interest rate of 3%. 467,292

Martin Luther King, Jr. (MLK):

Note payable to HCIDLA (CRA/LA) secured by deed of trust on property, due April 2020 or upon sale, transfer, assignment or refinancing of property; payable from residual receipts, as defined, accrues at a simple interest rate of 3%. 772,060

Strong House:

Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, due July 2022; payable from residual receipts, as defined, accrues at a simple interest rate of 3%. 999,711

Casa Figueroa:

Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, due June 2018; payable from residual receipts, as defined, accrues at a simple interest rate of 3%. 289,044

Klump:

Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, due February 2033; accrues at a simple interest rate of 3% and payable from residual receipts, as defined. 875,000

Note payable to HCIDLA, secured by a second deed of trust on the land and building; accrues at a simple interest at 5%; payable from available residual receipts, as defined; unpaid principal and interest due in April 2042. 159,425

Total notes payable – Klump 1,034,425

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4. NOTES PAYABLE (Continued)

L.A. Family Housing:

Note payable Corporation for Supportive Housing (CSH), unsecured, due the earlier of closing of construction financing or December 2016, accrues at a simple interest rate of 6%. \$ 266,500

Line-of-credit with Citibank, original borrowings up to \$250,000, interest payable monthly on outstanding balance at 5% per annum. 250,000

Total notes payable – L.A. Family Housing 516,500

Hyde Park:

Note payable to Farmers & Merchant Bank of Long Beach, secured by deed of trust property, maturing January 2018, payable in monthly installments of principal and interest at 7% of \$2,196. 269,525

Delano I:

Note payable to the City of Los Angeles, secured by deed of trust on property, due February 2025, bearing no interest. 117,513

Note payable to the City of Los Angeles, secured by deed of trust on property, due July 2015, bearing no interest. L.A. Family housing is in negotiations with the lender to extend the terms of the note. 107,624

Total notes payable – Delano I 225,137

Delano II:

Note payable to the City of Los Angeles, secured by deed of trust on property, due January 2025, bearing no interest. 116,667

Note payable to the City of Los Angeles, secured by deed of trust on property, due July 2015, bearing no interest. L.A. Family housing is in negotiations with the lender to extend the terms of the note. 80,417

Total notes payable – Delano II 197,084

Sydney M. Irmas Transitional Living Center:

Note payable to Audrey and Sydney Irmas Charitable Foundation, secured by deed of trust, bearing no interest, due on demand (Note 5). 26,000

Note payable to the City of Los Angeles, secured by deed of trust on property, principal due July 2026, bearing no interest. 1,078,059

Total notes payable – Sydney M. Irmas Transitional Living Center 1,104,059

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4. NOTES PAYABLE (Continued)

Valley Shelter:

Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, interest payable from residual receipts, principal and unpaid interest due March 2016, accrues at a simple interest rate of 3%. \$ 850,421

Casa Central:

Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, due July 2018; payable from residual receipts, as defined, accrues at a simple interest rate of 3%. 843,746

Harmony Place:

Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, payable from residual receipts, as defined, due September 2020, accrues at a simple interest rate of 3%. 1,591,000

Note payable to Manufacturers Bank, secured by deed of trust on property, maturing in September 2023, payable in monthly installments of principal and interest of \$4,866, interest rate of 6.62%. In accordance with the Loan Agreement, the interest rate changes every 15 years. 353,434

Total notes payable – Harmony Place 1,944,434

Cochran Villa:

Note payable to HCIDLA (CRA/LA), secured by deed of trust on property, interest payable from residual receipts, as defined, principal and unpaid interest due June 2020, accrues at a simple interest rate of 3%. 85,601

Note payable to the Century Housing Corporation, secured by deed of trust on property, interest payable from surplus cash, as defined, principal and unpaid interest due February 2022, accrues at a simple interest rate of 3%. 500,000

Note payable to the California Department of Housing and Community Development (HCD), secured by deed of trust on property, interest payable from surplus cash, as defined, principal and unpaid interest due February 2048, accrues at a simple interest rate of 3%. 538,538

Total notes payable – Cochran Villa 1,124,139

Vineland Place:

Note payable to Citicorp Mortgage, secured by a first deed of trust on the land and building; original principal of \$250,000; interest at 5.71% through March 1, 2021; monthly payments of principal and interest of \$1,786 based on a 15 year amortization of the original note balance, adjusted thereafter on March 1, 2021; unpaid principal and interest due in March 2026. 156,381

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4. NOTES PAYABLE (Continued)

Vineland Place (Continued):

Note payable to HCIDLA, secured by a second deed of trust on the land and building; accrues at a simple interest at 6% per annum; payable from available residual receipts, as defined; unpaid principal and interest due in January 2036. \$ 900,000

Note payable to HCIDLA, secured by a third deed of trust on the land and building; accrues at a simple interest at 5% per annum; payable from available residual receipts, as defined; unpaid principal and interest due in April 2042. 330,440

Total notes payable – Vineland Place 1,386,821

Glenoaks Gardens:

Note payable to California HCD Multifamily Housing Program (HCD-MHP Loan), secured by a deed of trust on real property and assignment of rents, in the original amount of \$5,582,916, with simple interest of 3% payable from residual receipts, as defined, unpaid principal and interest due in 55 years (November 2067); annual payments totaling \$23,448 (.42% of unpaid principal balance) are required for 30 years. 5,582,916

Note payable to California Housing Finance Agency (CalHFA) under the Mental Health Services Act (CalHFA-MHSA) Housing Program, secured by a deed of trust on Glenoaks Gardens, with maximum borrowings of \$4,500,000, with simple interest of 3% payable from residual receipts, as defined, all unpaid principal and interest are due in 55 years (July 2065); annual MHSA Asset Management Fee totaling \$18,900 (.42% of unpaid principal balance). 4,308,523

Note payable to HCIDLA, secured by a deed of trust, with maximum borrowings of \$2,223,673, with simple interest of 3% payable from residual receipts, as defined, all unpaid principal and interest are due July 2065. 2,111,903

Note payable to TCAC under the American and Reinvestment Act of 2009 through the Tax Credit Assistance Program (TCAC-TCAP), secured by a deed of trust, Assignment of Rents and Security Agreement and Fixture Filing on Glenoaks Gardens, with maximum borrowings of \$5,137,130, bearing no interest, non-amortizing with principal due July 2065. 5,137,130

Total notes payable – Glenoaks Gardens 17,140,472

Alabama Court:

Note payable to the Bank of America Community Development Bank (BACDB 1), secured by first deed of trust; interest at the bank's reference rate plus 1% (6.58% at December 31, 2013), maximum borrowing up to \$370,000, interest and principal payable in monthly installments of \$2,405, and unpaid principal and interest due April 2027. 243,305

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4. NOTES PAYABLE (Continued)

Alabama Court (Continued):

Note payable to HCIDLA, available borrowings up to \$834,500, secured by a second trust deed, non-interest bearing, principal payable annually starting April 1998 from available residual receipts, as defined, in the loan agreement, and due July 2025. \$ 747,876

Note payable to HCIDLA, available borrowings up to \$635,500, secured by a third trust deed, non-interest bearing, principal payable annually starting April 1998 from available residual receipts, as defined in the loan agreement, and due July 2025. 568,987

Note payable to Bank of America Community Development Bank (BACDB 2), secured by a deed of trust, non-interest bearing, principal due February 2052. 102,500

Total notes payable – Alabama Court 1,662,668

Vanowen Gardens

Note payable to HCIDLA, maximum borrowings up to \$880,000, secured by a first deed of trust, accrues at a simple interest at 5% per annum, principal and interest payable annually from available residual receipts, as defined in the note payable agreement, unpaid principal and interest due on August 21, 2036. 876,369

Harmony Gardens

Note payable to HCIDLA, maximum borrowings up to \$837,944, secured by a first deed of trust, accrues at a simple interest at 5%, principal and interest payable annually from available residual receipts, as defined in the note payable agreement, unpaid principal and interest due on August 26, 2036. 837,018

Total notes payable 33,410,413
Less: current portion (532,973)

\$ 32,877,440

The aggregate amounts of principal maturities for outstanding borrowings as of December 31, 2014 are:

<u>Year Ending December 31,</u>	<u>Amortizing</u>	<u>Non-Amortizing</u>	<u>Total</u>
2015	\$ 532,973	\$ -	\$ 532,973
2016	100,427	-	100,427
2017	106,349	-	106,349
2018	112,729	-	112,729
2019	119,603	-	119,603
Thereafter	<u>334,878</u>	<u>32,103,454</u>	<u>32,438,332</u>
	<u>\$ 1,306,959</u>	<u>\$ 32,103,454</u>	<u>\$ 33,410,413</u>

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 4. NOTES PAYABLE (Continued)

EHAP Awards

L.A. Family Housing has entered into various deferred loan awards through EHAP for the rehabilitation of certain properties. These awards stipulate that the properties must be operated as affordable housing for seven years from the award date at which point the principal and all accrued interest will be forgiven. The EHAP deferred loan proceeds are recognized as revenue in the year received and interest is not accrued due to the high probability of continued operations as affordable housing. These loan awards have been classified as temporarily restricted net assets and will be released from the restriction at the end of the compliance period and upon notice of forgiveness from the awarding agency. As of December 31, 2014, L.A. Family Housing is contingently liable for accrued interest of \$473,406 related to these EHAP loans.

The Valley Shelter was rehabilitated and completed in 2006. The rehabilitation was funded through EHAP and private foundation funds. The EHAP amount awarded for Valley Shelter totaled \$341,013 at a simple interest rate of 3%. The seven-year compliance period ended in 2014.

The TLC was rehabilitated and completed in 2008. The rehabilitation was funded through EHAP. The EHAP amount awarded for TLC totaled \$1,000,000, at a simple interest rate of 3%. The seven year compliance period ended in 2014.

The Comunidad Cesar Chavez was rehabilitated and completed in 2008. The rehabilitation was funded through EHAP. The EHAP amount awarded totaled \$1,000,000, at a simple interest rate of 3%. The seven year compliance period will end in 2015.

Forgiveness of debt

During 2014, the loans payable to the Audrey and Sydney Irmas Foundation in the principal amounts of \$685,000 (TLC) and \$964,574 (Valley Shelter) were forgiven and have been included in private contributions in the accompanying statement of activities and change in net assets. In addition, interest expense of \$57,080 (TLC) and \$80,380 (Valley Shelter) was also forgiven. Included in other revenues is the forgiveness of a \$50,000 AHP loan related to Vineland Place.

Accrued Interest

An analysis of accrued interest for 2014 on the notes payable by project is as follows:

	<u>Accrued Interest 1/1/14</u>	<u>Interest Expense*</u>	<u>Interest Paid/ Forgiven</u>	<u>Accrued Interest 12/31/14</u>
<u>Amortizing Principal Loans</u>				
Gentry North	\$ 2,190	\$ 8,773	\$ (9,770)	\$ 1,193
Harmony Place	2,772	22,475	(21,477)	3,770
Hyde Park	-	18,783	(18,783)	-
LAFH	-	14,625	(14,625)	-
TLC	-	57,080	(57,080)	-
Triangle House	-	10,959	(10,959)	-
Valley Shelter	-	80,380	(80,380)	-
Vineland Place	1,488	9,230	(9,230)	1,488
Alabama Court	2,248	16,456	(16,456)	2,248
	<u>8,698</u>	<u>238,761</u>	<u>(238,760)</u>	<u>8,699</u>

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4. NOTES PAYABLE (Continued)

Accrued Interest (Continued)

	Accrued Interest 1/1/14	Interest Expense*	Interest Paid/ Forgiven	Accrued Interest 12/31/14
<u>Residual Receipts Loans</u>				
Casa Central	108,737	25,175	-	133,912
Casa Figueroa	126,303	8,833	-	135,136
Comunidad Cesar Chavez	252,902	10,114	(253,460)	9,556
Cochran Villa	758,758	33,724	(25,853)	766,629
Gentry Village	49,347	11,746	-	61,093
Glenoaks Gardens	379,368	360,100	(35,675)	703,793
Harmony Gardens	654,240	41,856	-	696,096
Harmony Place	1,066,497	47,730	-	1,114,227
Klump	290,326	33,615	-	323,941
MLK	96,342	23,162	-	119,504
Strong House	643,670	29,991	-	673,661
Valley Shelter	571,984	25,724	-	597,708
Vanowen Gardens	739,519	43,824	(1,134)	782,209
Vineland Place	1,035,741	70,522	(1,048)	1,105,215
	<u>6,773,734</u>	<u>766,116</u>	<u>(317,170)</u>	<u>7,222,680</u>
Total Loans	<u>\$ 6,782,432</u>	<u>\$ 1,004,877</u>	<u>\$ (555,930)</u>	<u>\$ 7,231,379</u>

*Interest expense of \$281,142 incurred by the controlled partnerships during the year ended December 31, 2014 is included in interest expense in the accompanying consolidated statement of functional expenses. During 2014, Day Street capitalized \$158,405 of interest related to construction loans held as of December 31, 2014.

NOTE 5. RELATED PARTY TRANSACTIONS

One member of the board of directors of L.A. Family Housing also serves as a trustee of the Sydney and Audrey Irmis Charitable Foundation, which holds a promissory note totaling \$26,000 (Note 4).

During 2014, several board members made pledge commitments totaling \$1,550,000, of which \$1,525,000 is outstanding as of December 31, 2014 (Note 3).

L.A. Family Housing charges management and development fees to its affiliated organizations and controlled limited partnerships (Note 7), which are eliminated in consolidation.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Operating Leases

L.A. Family Housing is obligated under ground leases for the following properties to HCIDLA (CRA/LA):

- Martin Luther King, Jr. – initial term of 50 years expiring in 2040 with a 49-year option to renew.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 6. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (Continued)

- Strong House – initial term of 55 years expiring in 2045 with a 44-year option to renew.
- Gentry Village – term of 30 years expiring in 2017.

Lease payments for the Martin Luther King, Jr., Strong House and Gentry Village facilities are to equal 50% of net cash flows from operations of the facilities, as defined. As of December 31, 2014, the properties did not generate net cash flow and accordingly, there was no ground lease expense.

As of December 31, 2014, L.A. Family Housing did not have any future minimum noncancelable lease commitments related to these properties.

Rent expense for all short-term office and storage operating leases for the year ended December 31, 2014 totaled \$28,830.

Property Management Agreements

L.A. Family Housing entered into property management fee agreements for its various properties, including those held in controlled limited partnerships, with an unrelated party to pay monthly fees as defined in the agreements.

Guarantees

L.A. Family Housing has entered into various agreements with certain limited partnerships or their affiliated general partners whereby L.A. Family Housing guarantees to loan funds to the partnerships in the event that the partnerships incur operating deficits, as defined in the respective partnership agreements, or fail to meet their current financial obligations. These agreements expire at various times from 2015 through the terms of the underlying partnership or debt agreements. Loans made pursuant to these guarantees are generally interest-free and unsecured. The maximum potential amount of future payments under these guarantees is equal to the amount guaranteed to the partnerships under the tax indemnification agreements discussed below.

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

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 6. COMMITMENTS AND CONTINGENCIES (Continued)

Limited Partnerships

As the general partner in Saticoy Partners (Note 7), L.A. Family Housing made certain guarantees as defined in the partnership agreement. Based on actual costs incurred through December 31, 2014 and historical experience with similar projects, management does not anticipate that any material liabilities will be incurred in connection with these guarantees.

L.A. Family Housing is a party in note agreements between the City of Los Angeles and 14649 Saticoy Partners, L.P. (Saticoy Partners) in which L.A. Family Housing is a conduit for City loan proceeds directly loaned to the Partnership in the amount of \$2,003,000 (City Loan), to support the acquisition, predevelopment, construction and permanent costs of the Partnership. The City Loan is secured by the Partnership's assets; however, L.A. Family Housing remains obligated to repay the debt in the event the Partnership is unable to meet its obligation. As of December 31, 2014, there was no default related to this loan. The City Loan is due December 2043.

Litigation

L.A. Family Housing is involved in litigation, which settled out of court in June 2015, resulting in a \$75,000 liability is included in accounts payable and accrued expenses on the consolidated statement of financial position. L.A. Family Housing is also involved in certain legal claims arising from its rental activities. Management does not believe that the outcome of these matters will have a material effect on L.A. Family Housing's consolidated financial position or results of operations.

NOTE 7. INVESTMENTS IN LIMITED PARTNERSHIPS

As of December 31, 2014, L.A. Family Housing held a maximum of a 1% general partner interest in Saticoy Partners, Victory Partners and Day Street, which have been consolidated in the accompanying consolidated financial statements. The limited partners' interest of up to 99% in these partnerships is reflected as a noncontrolling interest in the accompanying consolidated financial statements. L.A. Family Housing earns fees to operate and manage the projects and a developer fee to perform certain development activities. In addition, L.A. Family Housing is reimbursed for employee costs related to the administration of the properties. These transactions have been eliminated in consolidation as of December 31, 2014.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 7. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

The following is summarized combined financial information for the three limited partnerships controlled by L.A. Family Housing as of December 31, 2014:

Real estate and other assets held by limited partnerships	
Property held for lease, at cost	
Land and land improvements	\$ 4,955,957
Building and improvements	17,494,435
Furniture and equipment	<u>289,713</u>
Total property held for lease, at cost	22,740,105
Less: accumulated depreciation	<u>(2,546,178)</u>
Property held for lease, net	20,193,927
Limited Partner receivables	8,043,665
Cash and cash equivalents	62,646
Restricted cash	524,004
Other assets	<u>299,873</u>
Real estate and other assets held in limited partnerships	29,124,115
Assets eliminated during consolidation	<u>882,458</u>
Total assets	<u>\$ 30,006,573</u>
Notes payable and other liabilities related to limited partnerships	
Notes payable	\$ 18,169,153
Accrued interest payable	1,177,404
Other liabilities	<u>148,524</u>
Notes payable and other liabilities related to limited partnerships	19,495,081
Liabilities and unrestricted net assets eliminated during consolidation	1,768,801
Unrestricted net assets	
Unrestricted net assets attributable to limited partnerships	<u>8,742,691</u>
Total liabilities and unrestricted net assets	<u>\$ 30,006,573</u>
Rental revenues, net	\$ 638,885
Other revenues	<u>12,456</u>
Total revenues	651,341
Operating and other expenses, including depreciation of \$414,916	<u>1,396,314</u>
Net loss	<u>\$ (744,973)</u>

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 7. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

Net Asset Summary in Controlled Partnerships

	Controlling Interests	Noncontrolling Interests	Total
Balance, January 1, 2014	\$ 212,575	\$ 1,311,424	\$ 1,523,999
Contributions		8,043,665	8,043,665
Syndication costs		(80,000)	(80,000)
Net loss	(74)	(744,899)	(744,973)
Balance, December 31, 2014	\$ 212,501	\$ 8,530,190	\$ 8,742,691

Notes Payable and Accrued Interest

The notes payable are secured by deeds of trust on real estate and have various maturity dates as defined in the respective loan agreements. Notes totaling \$2,383,996 are amortizing and require monthly payments of principal and interest. Included in notes payable is construction financing of \$8,319,291 due in 2015 which was repaid from permanent financing and equity proceeds. Limited Partner receivables consist of equity funds received in May 2015 to repay construction debt. The remaining balance of \$7,015,866 is payable from Residual Receipts, as defined. The interest rate on these notes range from 0% to 5% at December 31, 2014. The remaining term of these notes range from 2 years to 55 years as of December 31, 2014.

The aggregate amounts of principal maturities for outstanding borrowings at December 31, 2014 are as follows:

Year Ending December 31,	Amount
2015	\$ 8,353,129
2016	35,890
2017	38,067
2018	40,303
2019	42,749
Thereafter	9,659,015
	\$ 18,169,153

NOTE 8. RETIREMENT PLAN

L.A. Family Housing participates in a 403(b) plan (the Plan) which covers employees meeting certain qualifications. Under the terms of the Plan, employees are allowed to contribute up to the maximum allowed. L.A. Family Housing may make discretionary contributions to the Plan based on a percentage of the eligible employees' salaries. L.A. Family Housing made no contributions to the Plan for the year ended December 31, 2014.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 9. REAL ESTATE UNDER DEVELOPMENT

During 2014, L.A. Family Housing capitalized costs incurred in connection with the predevelopment the PSH Campus project (Note 10). L.A. Family Housing also capitalized rehabilitation costs in connection with work being performed to rehabilitate the Klump property. Costs capitalized in connection with these projects in development are included in real estate under development in the accompanying consolidating statement of financial position.

NOTE 10. SUBSEQUENT EVENTS

L.A. Family Housing has evaluated subsequent events that have occurred through June 30, 2015, which is the date that the consolidated financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements, except as disclosed below.

PSH Campus Plan Project

In May 2015, PSH Campus, L.P. (PSH Campus) was formed for the purpose of rehabilitating and operating scattered sites consisting of the TLC and Valley Shelter properties. PSH Campus will provide permanent supporting housing for homeless adults. L.A. Family Housing Corporation is the General Partner and LA Family Housing LLC is the Limited Partner. L.A. Family Housing Corporation obtained a loan of \$266,500 from Corporation for Supportive Housing (CSH) for the purposes of financing predevelopment expenses related to the rehabilitation (Note 4). The two-year CSH loan will be repaid with construction financing sources when construction begins in 2016.

SUPPLEMENTARY INFORMATION

Additional Information to the
L.A. Family Housing Corporation Consolidated Financial Statements
(Unaudited)

L.A. Family Housing Corporation currently owns 20 properties throughout the Southern California area. In accordance with accounting principles generally accepted in the United States of America, depreciation expense relating to these properties has been recorded in L.A. Family Housing's consolidated financial statements during the past 28 years. This depreciation expense is a non-cash item for financial reporting purposes and is a significant factor affecting the reporting of net assets for L.A. Family Housing.

Additionally, L.A. Family Housing acquires properties through residual receipt loans. These loans are granted under the mandate that the properties are operated as affordable housing residences. The loans are payable only when the properties produce surplus cash or when the properties have residual receipts, as defined. The properties are budgeted to operate at a break-even basis, or even at a small loss. As such, rents are below market and are only sufficient to cover expected operating costs. These loans will most likely be renewed or forgiven when they mature. No debt service payments were made.

These properties are run on an operationally cashflow break-even basis, on top of which depreciation and interest expenses are added. The depreciation and unpaid interest create a net loss for financial reporting purposes (even though no cash was expended), and the accumulated net losses create negative net assets. The following pro-forma analysis shows selected financial information for 2014, as well as cumulatively since inception, modified for the effects of the non-cash depreciation and residual receipt interest expenses:

For the Year Ended December 31, 2014:

Total revenues	\$ 17,837,736
Total expenses	<u>15,363,870</u>
Increase in net assets	2,473,866
Depreciation and amortization expense	1,622,618
Residual receipt interest expense	<u>766,116</u>
Increase in pro-forma net assets	<u>\$ 4,862,600</u>

Cumulative Net Assets as of December 31, 2014:

Net assets, December 31, 2014	\$ 9,721,735
Net assets – noncontrolling interest	(8,530,190)
Cumulative accumulated depreciation	18,602,807
Cumulative accrued residual receipt interest	<u>7,222,680</u>
Pro-forma net assets, December 31, 2014	<u>\$ 27,017,032</u>

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

	L.A. Family Housing Corporation											
	L.A. Family Housing	Comunidad Cesar Chavez	TLC	Gentry Village	Martin Luther King, Jr.	Strong House	Gentry North	Casa Figueroa	Hyde Park	Klump	Delano I	Delano II
Assets												
Cash and cash equivalents	\$ 1,188,710	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution receivable due within one year	614,667	-	-	-	-	-	-	-	-	-	-	-
Contract receivables due within one year	1,122,984	-	-	-	-	-	-	-	-	-	-	-
Unbilled contract receivable	184,150	-	-	-	-	-	-	-	-	-	-	-
Receivables - rental	(2,667)	-	-	614	1,019	-	-	1,199	13,512	4,449	1,137	1,201
Operational reserve, available for current use	1,146,347	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other assets	95,722	-	-	66	65	60	22	56	1,014	-	365	49
Security deposits and client trust accounts	180,116	-	550	5,628	11,741	17,790	18,307	9,504	(55,076)	31,316	23,380	20,320
Due from limited partnerships	4,092,923	-	-	-	-	-	-	-	1,126,485	-	-	-
Restricted property reserves	576,614	-	-	-	-	-	-	-	-	-	-	-
Other restricted cash accounts	304,532	-	-	-	-	-	-	-	-	-	-	-
Contribution receivable	926,202	-	-	-	-	-	-	-	-	-	-	-
Property held for lease, at cost												
Land	-	-	-	-	-	-	150,394	59,663	49,500	115,250	65,000	65,000
Buildings and building improvements	-	-	-	282,398	720,514	1,099,933	344,702	317,030	387,422	1,020,441	384,350	355,397
Total property held for lease, at cost	-	-	-	282,398	720,514	1,099,933	495,096	376,693	436,922	1,135,691	449,350	420,397
Less: accumulated depreciation	-	-	-	(209,969)	(483,494)	(677,747)	(237,523)	(226,317)	(123,222)	(259,699)	(198,949)	(178,666)
Property held for lease, net	-	-	-	72,429	237,020	422,186	257,573	150,376	313,700	875,992	250,401	241,731
Property, at cost												
Land	-	452,675	510,000	-	-	-	-	-	-	-	-	-
Buildings and building improvements	15,200	2,145,422	4,351,365	-	-	-	-	-	-	-	-	-
Furniture and equipment	457,301	220,200	399,727	7,196	10,191	4,835	9,344	4,134	39,603	7,526	3,760	3,706
Automobiles	140,762	-	-	-	-	-	-	-	-	-	-	-
Total property, at cost	613,263	2,818,297	5,261,092	7,196	10,191	4,835	9,344	4,134	39,603	7,526	3,760	3,706
Less: accumulated depreciation	(535,339)	(1,247,054)	(2,185,434)	-	-	-	-	-	(6,675)	(2,150)	-	-
Property, net	77,924	1,571,243	3,075,658	7,196	10,191	4,835	9,344	4,134	32,928	5,376	3,760	3,706
Real estate under development (Note 9)	189,553	-	-	-	-	-	-	-	-	442,285	-	-
Real estate and other assets held in limited partnerships (Note 7)	-	-	-	-	-	-	-	-	-	-	-	-
Deferred costs, net	-	3,094	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 10,697,777	\$ 1,574,337	\$ 3,076,208	\$ 85,933	\$ 260,036	\$ 444,871	\$ 285,246	\$ 165,269	\$ 1,432,563	\$ 1,359,418	\$ 279,043	\$ 267,007

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(CONTINUED)

	L.A. Family Housing Corporation											
	L.A. Family Housing	Comunidad Cesar Chavez	TLC	Gentry Village	Martin Luther King, Jr.	Strong House	Gentry North	Casa Figueroa	Hyde Park	Klump	Delano I	Delano II
<u>Liabilities and Net Assets (Deficit)</u>												
Accounts payable and accrued expenses	\$ 295,796	\$ -	\$ -	\$ 2,066	\$ 827	\$ 1,278	\$ 2,376	\$ 36	\$ 14,103	\$ 1	\$ 1,308	\$ 1,224
Accrued payroll	73,623	43,343	102,037	1,138	1,262	655	305	354	4,692	4,050	1,804	1,389
Tenant liabilities	4,169	(2,850)	40,052	2,814	5,289	6,718	8,126	3,646	20,590	9,048	11,895	7,022
Deferred revenues	284,916	-	-	-	-	987	182	-	-	-	980	677
Due to/from affiliates	(9,411,509)	1,375,492	3,075,689	(7,561)	115,176	(6,898)	173,115	(58,395)	636,630	494,309	(18,402)	(54,355)
Deficiency in Partnership investments	697,387	-	-	-	-	-	-	-	-	-	-	-
Notes payable	2,478,226	765,546	1,104,059	467,292	772,060	999,711	103,942	289,044	269,525	1,034,425	225,137	197,084
Notes payable and other liabilities related to controlled limited partnerships (Note 7)	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest	-	9,556	-	61,093	119,504	673,661	1,193	135,136	-	323,941	-	-
Total liabilities	<u>(5,577,392)</u>	<u>2,191,087</u>	<u>4,321,837</u>	<u>526,842</u>	<u>1,014,118</u>	<u>1,676,112</u>	<u>289,239</u>	<u>369,821</u>	<u>945,540</u>	<u>1,865,774</u>	<u>222,722</u>	<u>153,041</u>
Total net assets (deficit)	<u>16,275,169</u>	<u>(616,750)</u>	<u>(1,245,629)</u>	<u>(440,909)</u>	<u>(754,082)</u>	<u>(1,231,241)</u>	<u>(3,993)</u>	<u>(204,552)</u>	<u>487,023</u>	<u>(506,356)</u>	<u>56,321</u>	<u>113,966</u>
Total liabilities and net assets (deficit)	<u>\$ 10,697,777</u>	<u>\$ 1,574,337</u>	<u>\$ 3,076,208</u>	<u>\$ 85,933</u>	<u>\$ 260,036</u>	<u>\$ 444,871</u>	<u>\$ 285,246</u>	<u>\$ 165,269</u>	<u>\$ 1,432,563</u>	<u>\$ 1,359,418</u>	<u>\$ 279,043</u>	<u>\$ 267,007</u>

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
 (A NONPROFIT CALIFORNIA CORPORATION)
 CONSOLIDATING STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2014
 (CONTINUED)

	Incorporated Affiliated Organizations				LAFH, LLC					Controlled Limited Partnerships	Consolidated Total Before Eliminations	Eliminations	Adjusted Consolidated Total
	Valley Shelter	Casa Central	Cochran Villa	Harmony Place	Glenoaks Gardens	Vineland Place	Alabama Court	Harmony Gardens	Vanowen Gardens				
Assets													
Cash and cash equivalents	\$ -	\$ 100	\$ 2,042	\$ -	\$ 11,214	\$ 6,339	\$ 124,778	\$ 1,504	1,864	\$ -	\$ 1,336,551	\$ -	\$ 1,336,551
Contribution receivable due within one year	-	-	-	-	-	-	-	-	-	-	614,667	-	614,667
Contract receivables due within one year	362,322	-	-	-	-	-	-	-	-	-	1,485,306	-	1,485,306
Unbilled contract receivable	-	-	-	-	-	-	-	-	-	-	184,150	-	184,150
Receivables - rental	-	-	647	848	5,896	3,249	6,606	768	1,792	-	40,270	-	40,270
Operational reserve, available for current use	-	-	-	-	-	-	-	-	-	-	1,146,347	-	1,146,347
Prepaid expenses and other assets	-	69	62	165	1,408	238	2,381	160	111	-	102,013	-	102,013
Security deposits and client trust accounts	-	(732)	12,757	(906)	47,839	18,451	56,417	12,548	17,190	-	427,140	-	427,140
Due from limited partnerships	-	-	-	-	-	-	-	-	-	-	5,219,408	(5,219,408)	-
Restricted property reserves	-	-	182,262	7,010	839,186	178,960	433,883	141,535	176,665	-	2,536,115	-	2,536,115
Other restricted cash accounts	-	-	-	-	-	-	-	-	-	-	304,532	-	304,532
Contribution receivable	-	-	-	-	-	-	-	-	-	-	926,202	-	926,202
Property held for lease, at cost													
Land	-	101,202	208,573	600,000	3,345,398	280,291	354,323	-	236,775	-	5,631,369	-	5,631,369
Buildings and building improvements	-	421,402	907,452	1,752,821	12,642,196	2,430,753	3,647,232	2,024,085	2,026,090	-	30,764,218	(1,103,248)	29,660,970
Total property held for lease, at cost	-	522,604	1,116,025	2,352,821	15,987,594	2,711,044	4,001,555	2,024,085	2,262,865	-	36,395,587	(1,103,248)	35,292,339
Less: accumulated depreciation	-	(314,758)	(563,963)	(1,050,973)	(994,804)	(1,180,784)	(1,851,088)	(933,101)	(937,247)	-	(10,422,304)	267,091	(10,155,213)
Property held for lease, net	-	207,846	552,062	1,301,848	14,992,790	1,530,260	2,150,467	1,090,984	1,325,618	-	25,973,283	(836,157)	25,137,126
Property, at cost													
Land	448,060	-	-	-	-	-	-	-	-	-	1,410,735	-	1,410,735
Buildings and building improvements	5,524,093	-	-	-	-	-	-	-	-	-	12,036,080	-	12,036,080
Furniture and equipment	306,168	38,112	3,185	37,221	289,379	18,728	22,629	57,046	78,269	-	2,018,260	-	2,018,260
Automobiles	-	-	7,836	-	-	17,400	17,400	17,400	17,400	-	218,198	-	218,198
Total property, at cost	6,278,321	38,112	11,021	37,221	289,379	36,128	40,029	74,446	95,669	-	15,683,273	-	15,683,273
Less: accumulated depreciation	(4,047,470)	(28,153)	(10,282)	(32,810)	(124,020)	(36,128)	(40,029)	(65,464)	(86,586)	-	(8,447,594)	-	(8,447,594)
Property, net	2,230,851	9,959	739	4,411	165,359	-	-	8,982	9,083	-	7,235,679	-	7,235,679
Real estate under development (Note 9)	-	-	-	-	-	-	-	-	-	-	631,838	-	631,838
Real estate and other assets held in limited partnerships (Note 7)	-	-	-	-	-	-	-	-	-	30,006,573	30,006,573	(882,458)	29,124,115
Deferred costs, net	-	-	-	-	101,596	2,334	567	7,579	3,359	-	118,529	-	118,529
Total assets	\$ 2,593,173	\$ 217,242	\$ 750,571	\$ 1,313,376	\$ 16,165,288	\$ 1,739,831	\$ 2,775,099	\$ 1,264,060	\$ 1,535,682	\$ 30,006,573	\$ 78,288,603	\$ (6,938,023)	\$ 71,350,580

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
 (A NONPROFIT CALIFORNIA CORPORATION)
 CONSOLIDATING STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2014
 (CONTINUED)

	Incorporated Affiliated Organizations				LAFH, LLC					Controlled Limited Partnerships	Consolidated		Adjusted Consolidated Total
	Valley Shelter	Casa Central	Cochran Villa	Harmony Place	Glenoaks Gardens	Vineland Place	Alabama Court	Harmony Gardens	Vanowen Gardens		Total Before Eliminations	Eliminations	
Liabilities and Net Assets (Deficit)													
Accounts payable and accrued expenses	\$ 47,019	\$ 7,431	\$ 10,182	\$ 10,215	\$ 51,215	\$ 4,206	\$ 19,686	\$ 7,403	\$ 7,738	\$ -	\$ 484,110	\$ (10,004)	\$ 474,106
Accrued payroll	86,694	-	-	103	1,624	-	-	-	-	-	323,073	-	323,073
Tenant liabilities	95,456	5,833	14,579	21,946	51,895	17,732	49,849	12,397	16,525	-	402,731	-	402,731
Deferred revenues	-	720	-	-	-	-	-	1,500	2,100	-	292,062	-	292,062
Due to/from affiliates	5,332,683	(206,099)	35,150	(352,941)	164,461	97,348	987	-	93,995	-	1,478,875	(1,478,875)	-
Deficiency in Partnership investments	-	-	-	-	-	-	-	-	-	-	697,387	(697,387)	-
Notes payable	850,421	843,746	1,124,139	1,944,434	17,140,472	1,386,821	1,662,668	837,018	876,369	-	35,372,139	(1,961,726)	33,410,413
Notes payable and other liabilities related to controlled limited partnerships (Note 7)	-	-	-	-	-	-	-	-	-	21,263,882	21,263,882	(1,768,801)	19,495,081
Accrued interest	<u>597,708</u>	<u>133,912</u>	<u>766,629</u>	<u>1,117,997</u>	<u>703,793</u>	<u>1,106,703</u>	<u>2,248</u>	<u>696,096</u>	<u>782,209</u>	-	<u>7,231,379</u>	-	<u>7,231,379</u>
Total liabilities	7,009,981	785,543	1,950,679	2,741,754	18,113,460	2,612,810	1,735,438	1,554,414	1,778,936	21,263,882	67,545,638	(5,916,793)	61,628,845
Total net assets (deficit)	<u>(4,416,808)</u>	<u>(568,301)</u>	<u>(1,200,108)</u>	<u>(1,428,378)</u>	<u>(1,948,172)</u>	<u>(872,979)</u>	<u>1,039,661</u>	<u>(290,354)</u>	<u>(243,254)</u>	<u>8,742,691</u>	<u>10,742,965</u>	<u>(1,021,230)</u>	<u>9,721,735</u>
Total liabilities and net assets (deficit)	<u>\$ 2,593,173</u>	<u>\$ 217,242</u>	<u>\$ 750,571</u>	<u>\$ 1,313,376</u>	<u>\$ 16,165,288</u>	<u>\$ 1,739,831</u>	<u>\$ 2,775,099</u>	<u>\$ 1,264,060</u>	<u>\$ 1,535,682</u>	<u>\$ 30,006,573</u>	<u>\$ 78,288,603</u>	<u>\$ (6,938,023)</u>	<u>\$ 71,350,580</u>

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
 (A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	L.A. Family Housing Corporation											
	Los Angeles Family Housing	Comunidad Cesar Chavez	TLC	Gentry Village	Martin Luther King, Jr.	Strong House	Gentry North	Casa Figueroa	Hyde Park	Klump	Delano I	Delano II
Public support and revenues												
Government contracts and grants	\$ 2,876,026	\$ 522,495	\$ 1,644,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Private contributions (corporate, foundation and individuals)	5,576,276	21,671	45,122	-	-	-	-	-	-	-	-	-
Contributed goods and services	39,562	90,796	309,889	-	-	-	-	-	-	-	-	-
Special events revenue	1,131,751	-	-	-	-	-	-	-	-	-	-	-
Total public support and revenues	<u>9,623,615</u>	<u>634,962</u>	<u>1,999,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other revenues												
Management and development fees	1,427,861	-	-	-	-	-	-	-	-	-	-	-
Rental revenues, net	-	1,597	20,817	24,824	58,111	60,152	54,306	35,419	283,822	77,001	84,029	86,845
Other	40,529	-	-	-	-	-	-	-	-	-	-	-
Total other revenues	<u>1,468,390</u>	<u>1,597</u>	<u>20,817</u>	<u>24,824</u>	<u>58,111</u>	<u>60,152</u>	<u>54,306</u>	<u>35,419</u>	<u>283,822</u>	<u>77,001</u>	<u>84,029</u>	<u>86,845</u>
Total public support and other revenues	<u>11,092,005</u>	<u>636,559</u>	<u>2,020,275</u>	<u>24,824</u>	<u>58,111</u>	<u>60,152</u>	<u>54,306</u>	<u>35,419</u>	<u>283,822</u>	<u>77,001</u>	<u>84,029</u>	<u>86,845</u>
Expenses												
Bad debt expense from tenants	2,646	-	-	-	-	(2,381)	-	-	-	500	730	-
Client food and meals	791	20	159,317	-	-	-	-	-	-	-	-	-
Client supplies/program expense	1,223,935	7,001	70,657	-	-	-	-	-	-	-	-	-
In-kind expenses	39,562	90,796	309,889	-	-	-	-	-	-	-	-	-
Office equipment and supplies	96,794	4,450	10,142	219	111	403	247	1,199	1,758	157	580	540
Operating and other expenses of limited partnerships	-	-	-	-	-	-	-	-	-	-	-	-
Other operating expenses	203,187	992	1,456	196	261	2,639	195	208	1,504	59	555	307
Personnel expenses	79,472	2,186	6,002	175	379	443	64	333	2,320	62	242	109
Professional and legal fees	191,464	5,357	16,557	407	950	814	678	543	2,261	2,751	814	814
Property insurance	31,259	15,613	17,016	2,216	5,539	3,900	3,180	3,048	16,383	7,808	4,426	4,426
Property management fees	-	-	-	4,210	4,565	3,960	4,241	2,640	16,225	-	6,454	6,663
Property taxes and other fees	9,515	1,718	6,065	-	-	898	809	766	5,144	871	1,474	1,527
Rent expense	28,830	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	8,220	37,605	124,600	12,947	33,534	12,483	12,264	12,083	71,323	13,813	29,766	24,152
Salaries, taxes, and benefits	2,697,000	500,232	1,194,207	7,655	11,160	10,676	8,302	10,320	60,165	39,153	22,840	7,038
Special events/fundraising	208,331	-	-	-	-	-	-	-	-	-	-	-
Utilities	41,984	55,890	143,985	5,763	12,361	6,092	7,517	1,461	22,986	10,766	12,141	10,422
Vehicle expenses	37,813	2,892	263	-	-	-	-	-	-	-	-	-
Loss on equity in partnership interests	704,563	-	-	-	-	-	-	-	-	-	-	-
Total before financial expenses	<u>5,605,366</u>	<u>724,752</u>	<u>2,060,156</u>	<u>33,788</u>	<u>68,860</u>	<u>39,927</u>	<u>37,497</u>	<u>32,601</u>	<u>200,069</u>	<u>75,940</u>	<u>80,022</u>	<u>55,998</u>
Interest expense	<u>14,625</u>	<u>21,073</u>	<u>57,080</u>	<u>11,746</u>	<u>23,162</u>	<u>29,991</u>	<u>8,773</u>	<u>8,833</u>	<u>18,783</u>	<u>33,615</u>	<u>-</u>	<u>-</u>
Total before depreciation and amortization	<u>5,619,991</u>	<u>745,825</u>	<u>2,117,236</u>	<u>45,534</u>	<u>92,022</u>	<u>69,918</u>	<u>46,270</u>	<u>41,434</u>	<u>218,852</u>	<u>109,555</u>	<u>80,022</u>	<u>55,998</u>
Depreciation and amortization	<u>14,912</u>	<u>81,480</u>	<u>143,055</u>	<u>6,919</u>	<u>18,092</u>	<u>28,514</u>	<u>8,758</u>	<u>7,878</u>	<u>12,473</u>	<u>32,934</u>	<u>9,500</u>	<u>7,518</u>
Total expenses	<u>5,634,903</u>	<u>827,305</u>	<u>2,260,291</u>	<u>52,453</u>	<u>110,114</u>	<u>98,432</u>	<u>55,028</u>	<u>49,312</u>	<u>231,325</u>	<u>142,489</u>	<u>89,522</u>	<u>63,516</u>
Change in net assets (deficit)	5,457,102	(190,746)	(240,016)	(27,629)	(52,003)	(38,280)	(722)	(13,893)	52,497	(65,488)	(5,493)	23,329
Net assets (deficit) at December 31, 2013	<u>10,818,067</u>	<u>(426,004)</u>	<u>(1,005,613)</u>	<u>(413,280)</u>	<u>(702,079)</u>	<u>(1,192,961)</u>	<u>(3,271)</u>	<u>(190,659)</u>	<u>434,526</u>	<u>(440,868)</u>	<u>61,814</u>	<u>90,637</u>
Limited partner contribution, net syndication	-	-	-	-	-	-	-	-	-	-	-	-
Net assets (deficit) at December 31, 2014	<u>\$ 16,275,169</u>	<u>\$ (616,750)</u>	<u>\$ (1,245,629)</u>	<u>\$ (440,909)</u>	<u>\$ (754,082)</u>	<u>\$ (1,231,241)</u>	<u>\$ (3,993)</u>	<u>\$ (204,552)</u>	<u>\$ 487,023</u>	<u>\$ (506,356)</u>	<u>\$ 56,321</u>	<u>\$ 113,966</u>

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
 (A NONPROFIT CALIFORNIA CORPORATION)
 CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (CONTINUED)

	Incorporated affiliated organizations				LAFH, LLC					Controlled Limited Partnerships	Consolidated Total Before Eliminations	Eliminations	Adjusted Consolidated Total
	Valley Shelter	Casa Central	Cochran Villa	Harmony Place	Glenoaks Gardens	Vineland Place	Alabama Court	Harmony Gardens	Vanowen Gardens				
Public support and revenues													
Government contracts and grants	\$ 2,059,745	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,102,713	(147,899)	\$ 6,954,814
Private contributions (corporate, foundation and individuals)	4,359	-	-	-	-	-	-	-	-	-	5,647,428	-	5,647,428
Contributed goods and services	192,624	-	-	-	-	-	-	-	-	-	632,871	-	632,871
Special events revenue	-	-	-	-	-	-	-	-	-	-	1,131,751	-	1,131,751
Total public support and revenues	<u>2,256,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,514,763</u>	<u>(147,899)</u>	<u>14,366,864</u>
Other revenues													
Management and development fees	-	-	-	-	-	-	-	-	-	-	1,427,861	(1,427,861)	-
Rental revenues, net	27,566	47,125	73,312	176,060	624,025	208,026	406,284	154,869	167,043	638,885	3,310,118	-	3,310,118
Other	7,703	-	26,282	-	1,636	50,492	20,810	381	465	12,456	160,754	-	160,754
Total other revenues	<u>35,269</u>	<u>47,125</u>	<u>99,594</u>	<u>176,060</u>	<u>625,661</u>	<u>258,518</u>	<u>427,094</u>	<u>155,250</u>	<u>167,508</u>	<u>651,341</u>	<u>4,898,733</u>	<u>(1,427,861)</u>	<u>3,470,872</u>
Total public support and other revenues	<u>2,291,997</u>	<u>47,125</u>	<u>99,594</u>	<u>176,060</u>	<u>625,661</u>	<u>258,518</u>	<u>427,094</u>	<u>155,250</u>	<u>167,508</u>	<u>651,341</u>	<u>19,413,496</u>	<u>(1,575,760)</u>	<u>17,837,736</u>
Expenses													
Bad debt expense from tenants	520	2,651	-	-	4,989	549	2,623	-	-	-	12,827	-	12,827
Client food and meals	193,225	-	-	-	-	-	-	-	-	-	353,353	-	353,353
Client supplies/program expense	129,461	-	-	-	-	-	-	-	-	-	1,431,054	-	1,431,054
In-kind expenses	192,624	-	-	-	-	-	-	-	-	-	632,871	-	632,871
Office equipment and supplies	28,795	719	158	587	37,129	999	1,827	699	591	-	188,104	(28,116)	159,988
Operating and other expenses of limited partnerships	-	-	-	-	-	-	-	-	-	700,256	700,256	(174,967)	525,289
Other operating expenses	2,451	298	1,298	525	24,971	726	7,537	690	1,066	-	251,121	-	251,121
Personnel expenses	7,150	821	534	298	606	430	1,861	404	385	-	104,276	-	104,276
Professional and legal fees	22,449	3,980	2,135	3,815	23,557	7,032	15,444	6,520	6,466	-	314,808	-	314,808
Property insurance	34,386	5,827	7,144	11,127	38,889	13,085	25,626	9,860	11,053	-	271,811	-	271,811
Property management fees	-	3,849	11,592	12,618	37,290	35,893	61,802	29,364	36,010	-	277,376	(109,441)	167,935
Property taxes and other fees	4,580	965	1,683	2,764	6,771	4,791	7,702	3,695	3,674	-	65,412	-	65,412
Rent expense	-	-	-	-	-	-	-	-	-	-	28,830	-	28,830
Repairs and maintenance	144,566	27,095	21,950	29,497	82,689	47,741	101,206	45,457	32,489	-	925,480	-	925,480
Salaries, taxes, and benefits	1,679,450	9,326	12,270	24,014	252,407	19,537	71,657	18,459	22,665	-	6,678,533	(490,053)	6,188,480
Special events/fundraising	-	-	-	-	-	-	-	-	-	-	208,331	-	208,331
Utilities	140,598	7,874	16,987	33,780	72,780	34,674	72,819	27,305	34,072	-	772,257	-	772,257
Vehicle expenses	142	-	-	-	-	-	-	-	-	-	41,110	-	41,110
Loss on equity in partnership interests	-	-	-	-	-	-	-	-	-	-	704,563	(704,563)	-
Total before financial expenses	<u>2,580,397</u>	<u>63,405</u>	<u>75,751</u>	<u>119,025</u>	<u>582,078</u>	<u>165,457</u>	<u>370,104</u>	<u>142,453</u>	<u>148,471</u>	<u>700,256</u>	<u>13,962,373</u>	<u>(1,507,140)</u>	<u>12,455,233</u>
Interest expense	<u>106,104</u>	<u>25,175</u>	<u>33,724</u>	<u>70,205</u>	<u>360,100</u>	<u>79,752</u>	<u>16,456</u>	<u>41,856</u>	<u>43,824</u>	<u>281,142</u>	<u>1,286,019</u>	<u>-</u>	<u>1,286,019</u>
Total before depreciation and amortization	<u>2,686,501</u>	<u>88,580</u>	<u>109,475</u>	<u>189,230</u>	<u>942,178</u>	<u>245,209</u>	<u>386,560</u>	<u>184,309</u>	<u>192,295</u>	<u>981,398</u>	<u>15,248,392</u>	<u>(1,507,140)</u>	<u>13,741,252</u>
Depreciation and amortization	<u>176,142</u>	<u>12,576</u>	<u>23,324</u>	<u>47,181</u>	<u>372,990</u>	<u>52,527</u>	<u>97,792</u>	<u>53,223</u>	<u>53,351</u>	<u>414,916</u>	<u>1,676,055</u>	<u>(53,437)</u>	<u>1,622,618</u>
Total expenses	<u>2,862,643</u>	<u>101,156</u>	<u>132,799</u>	<u>236,411</u>	<u>1,315,168</u>	<u>297,736</u>	<u>484,352</u>	<u>237,532</u>	<u>245,646</u>	<u>1,396,314</u>	<u>16,924,447</u>	<u>(1,560,577)</u>	<u>15,363,870</u>
Change in net assets (deficit)	(570,646)	(54,031)	(33,205)	(60,351)	(689,507)	(39,218)	(57,258)	(82,282)	(78,138)	(744,973)	2,489,049	(15,183)	2,473,866
Net assets (deficit) at December 31, 2013	<u>(3,846,162)</u>	<u>(514,270)</u>	<u>(1,166,903)</u>	<u>(1,368,027)</u>	<u>(1,258,665)</u>	<u>(833,761)</u>	<u>1,096,919</u>	<u>(208,072)</u>	<u>(165,116)</u>	<u>1,523,999</u>	<u>290,251</u>	<u>(1,006,047)</u>	<u>(715,796)</u>
Limited partner contribution, net syndication	-	-	-	-	-	-	-	-	-	7,963,665	7,963,665	-	7,963,665
Net assets (deficit) at December 31, 2014	<u>\$ (4,416,808)</u>	<u>\$ (568,301)</u>	<u>\$ (1,200,108)</u>	<u>\$ (1,428,378)</u>	<u>\$ (1,948,172)</u>	<u>\$ (872,979)</u>	<u>\$ 1,039,661</u>	<u>\$ (290,354)</u>	<u>\$ (243,254)</u>	<u>\$ 8,742,691</u>	<u>\$ 10,742,965</u>	<u>\$ (1,021,230)</u>	<u>\$ 9,721,735</u>

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
 COCHRAN VILLA - HCD LOAN NO. 90-RHCP-041
 SCHEDULE OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Rent Revenue		
5120	Rent revenue - gross potential		\$ 68,250
5121	Tenant assistance payments		<u>1,493</u>
5100T	Total rent revenue		<u>69,743</u>
	Vacancies		
5220	Apartments		<u>-</u>
5200T	Total vacancies		<u>-</u>
5152N	Net rental revenue		<u>69,743</u>
	Financial Revenue		
5440	Revenue from investments - reserves		<u>429</u>
5400T	Total financial revenue		<u>429</u>
	Other Revenue		
5910	Laundry and vending revenue		2,819
5920	Tenant charges		750
5990	Miscellaneous revenue		
	Income from interest adjustment	\$ 25,853	<u>25,853</u>
5900T	Total other revenue		<u>29,422</u>
5000T	Total revenues		<u>\$ 99,594</u>

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
 COCHRAN VILLA - HCD LOAN NO. 90-RHCP-041
 SCHEDULE OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (CONTINUED)

	Administrative Expenses		
6203	Conventions and meetings	\$	50
6250	Other renting expenses		114
6310	Office salaries		2,919
6311	Office expenses		1,346
6320	Management fee		6,599
6330	Manager or superintendent salaries		3,438
6350	Audit / tax preparation expenses		2,135
6351	Bookkeeping fees/accounting services		135
6390	Miscellaneous administrative expenses		
	Systematic code fees	\$	433
	General Partner management fees		4,993
			<u>5,426</u>
6263T	Total administrative expenses		<u>22,162</u>
	Utilities Expenses		
6450	Electricity		2,219
6451	Water		13,028
6452	Gas		701
			<u>15,948</u>
6400T	Total utilities expenses		<u>15,948</u>
	Operating and Maintenance Expenses		
6510	Payroll		2,891
6515	Supplies		1,169
6520	Contracts		21,681
			<u>25,741</u>
6500T	Total operating and maintenance expenses		<u>25,741</u>
	Taxes and Insurance		
6710	Real estate taxes		1,250
6711	Payroll taxes (Project's share)		822
6720	Property and liability insurance (hazard)		6,776
6722	Workers Compensation		544
6723	Health insurance and other benefits		2,508
			<u>11,900</u>
6700T	Total taxes and insurance		<u>11,900</u>
	Total operating expenses	\$	<u>75,751</u>

(Continued)

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
 COCHRAN VILLA - HCD LOAN NO. 90-RHCP-041
 SCHEDULE OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (CONTINUED)

	Financial Expenses	
6820	Interest on mortgage (or bonds) payable	\$ 33,724
6800T	Total financial expenses	<u>33,724</u>
	Depreciation and Amortization Expenses	
6600	Depreciation expense	<u>23,324</u>
6600T	Total depreciation and amortization expenses	<u>23,324</u>
	Net Entity Expenses	
7190	Other expenses	
	Franchise state tax	<u>-</u>
7100T	Total net entity expenses	<u>-</u>
	Total expenses	<u>\$ 132,799</u>
3250	Change in total net assets from operations	<u>\$ (33,205)</u>

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

SUPPLEMENTARY INFORMATION REQUIRED BY HCD
 COCHRAN VILLA, INC. - LOAN NO. 90-RHCP-041
 (A NONPROFIT CALIFORNIA CORPORATION)
 FOR THE YEAR ENDED DECEMBER 31, 2014

A. CASH ON HAND AND IN BANKS

Unrestricted accounts:

Operating cash account	\$ <u>2,042</u>
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Restricted accounts:

Operating reserves	\$ 63,737
Replacement reserves	118,525
Tenant security deposits	<u>12,757</u>
Total	<u>\$ 195,019</u>

B. TENANT ACCOUNTS RECEIVABLE

As of December 31, 2014, the Partnership has \$647 and \$0 in tenant receivables and subsidy receivables, respectively.

C. REPLACEMENT RESERVE ACCOUNT

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

Balance, January 1, 2014	\$ 114,080
Deposits	4,179
Interest	266
Withdrawals	-
Balance, December 31, 2014	<u>\$ 118,525</u>

D. OPERATING RESERVE ACCOUNT

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

Balance, January 1, 2014	\$ 61,706
Deposits	1,899
Interest	132
Withdrawals	-
Balance, December 31, 2014	<u>\$ 63,737</u>

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

SUPPLEMENTARY INFORMATION REQUIRED BY HCD
 COCHRAN VILLA, INC. – LOAN NO. 90-RHCP-041
 (A NONPROFIT CALIFORNIA CORPORATION)
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (CONTINUED)

E. TENANT SECURITY DEPOSITS

Tenant security deposits are held in a single federally insured interest bearing bank account with Citibank. At December 31, 2014, the balance of the security deposit account is adequate to cover the liability for security deposits.

F. PROPERTY, EQUIPMENT AND IMPROVEMENTS

Following are the details of property, equipment and improvements:

Property, Equipment and Improvements, at Cost	Balance 1/1/14	Additions (Deletions)	Balance 12/31/14
Land	\$ 208,573	\$ -	\$ 208,573
Buildings and Improvements	907,452	-	907,452
Personal property	11,021	-	11,021
	<u>\$ 1,127,046</u>	<u>\$ -</u>	<u>\$ 1,127,046</u>

G. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Accounts payable	\$ 7,507
Accrued expenses	<u>2,675</u>
Total	<u>\$ 10,182</u>

H. GROSS POTENTIAL RENT

Gross potential rent includes:

Tenant rents - residential	\$ 68,250
Rental subsidies	1,493
Vacancies	-
Total gross potential rent	<u>\$ 69,743</u>

I. PROPERTY TAXES

The Partnership anticipates receiving an exemption of indirect real property taxes issued by the county assessor. The Partnership has paid the other 2014 assessments billed by the county on a current basis. The tax statements are paid when due, and are not impounded by a lender.

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

SUPPLEMENTARY INFORMATION REQUIRED BY HCD
COCHRAN VILLA, INC. – LOAN NO. 90-RHCP-041
(A NONPROFIT CALIFORNIA CORPORATION)
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

J. PROPERTY INSURANCE

Property insurance premiums are paid current as of December 31, 2014. The Partnership pays the premiums when due.

K. MANAGEMENT FEE

A property management fee of \$6,599 was incurred during 2014 for property management services provided by an unrelated party.

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

COCHRAN VILLA - HCD LOAN NO. 90-RHCP-041

COMPUTATION OF OPERATING CASH FLOW/SURPLUS CASH
FOR THE YEAR ENDED DECEMBER 31, 2014**Operating Cash Flow/Surplus Cash Computation - per HCD Regulatory Agreements**

Operating cash flow/surplus cash will be distributed according to the HCD method.

Operating income	
Total income	\$ 99,594
Interest on restricted reserve accounts	<u>(429)</u>
Adjusted operating income	99,165
Operating expenses	<u>(75,751)</u>
Adjusted net income (loss)	<u>23,414</u>
Other activity	
Deposits into replacement reserve account	(4,179)
Deposits into other restricted accounts per Regulatory Agreement	<u>(1,899)</u>
Total other activity	<u>(6,078)</u>
Operating cash flow/surplus cash	<u>17,336</u>
Total cash available for distributions (net cash flow)	<u>\$ 17,336</u>
Distributions and loan payments	
50% split and paid as follows per Regulatory Agreement	
40% to HCD	-
37% to Century Housing Corporation	-
23% to CRA HCIDLA	<u>-</u>
Total distributions	<u>\$ -</u>

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Pass-through Agent Program Title	Catalogue of Federal Domestic Assistance Number	Agreement Number	Federal Expenditures
Department of Homeland Security/Federal Emergency Management Agency:			
Emergency Food and Shelter National Board Program			
Phase 32 - TLC	97.024	LRO069500-085	\$ 217,188
Phase 32 - Valley Shelter	97.024	LRO069500-128	37,500
Total Department of Homeland Security/Federal Emergency Management Agency			254,688
Department of Veterans Affairs:			
VA Homeless Providers Per Diem Only			
	64.024	02-157-CA	395,536
VA Homeless Providers Grant and Per Diem Only			
	64.024	97-056-CA	368,217
Total Department of Veteran Affairs			763,753
Department of Agriculture:			
Passed through the California State Department of Education:			
Child Care Food Program	10.558		285,604
Total Department of Agriculture			285,604
Department of Housing and Urban Development:			
Direct Support Received:			
Continuum of Care Program			
	14.267	CA0505L9D001306	92,610
Continuum of Care Program			
	14.267	CA0505L9D001205	269,829
Passed through Los Angeles Homeless Services Authority:			
Continuum of Care Program			
	14.267	CA0441L9D001306	132,335
Continuum of Care Program			
	14.267	CA0441L9D001205	637,216
Continuum of Care Program			
	14.267	CA0422L9D001306	200,931
Continuum of Care Program			
	14.267	CA0422L9D001205	55,140
			1,388,061
Passed through Los Angeles Homeless Services Authority:			
Emergency Shelter Grants Program			
	14.231	2012FSC02	493,291
Emergency Shelter Grants Program			
	14.231	2013ESG10	65,951
Emergency Shelter Grants Program			
	14.231	2012ESG54	34,505
Emergency Shelter Grants Program			
	14.231	2014HFSS05	112,857
Passed through People Assisting the Homeless:			
Emergency Shelter Grants Program			
	14.231	2014HFSS06	20,871
			\$ 727,475

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS(A NONPROFIT CALIFORNIA CORPORATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

<u>Federal Grantor/Pass-through Agent Program Title</u>	<u>Catalogue of Federal Domestic Assistance Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures</u>
Passed through Los Angeles Homeless Services Authority:			
Community Development Block Grants:			
TLC	14.218	2013CDBG25	\$ 43,008
Valley Shelter	14.218	2014CDBG24	69,954
Valley Shelter	14.218	2013CDBG24	16,251
Homeless Family Solutions System	14.218	2014HFSS05	42,945
Homeless Family Solutions System	14.218	2014HFSS07	<u>114,606</u>
			<u>286,764</u>
Total Department of Housing and Urban Development			<u>2,402,300</u>
Department of Health and Human Services:			
Passed through Los Angeles County DPSS/Los Angeles Homeless Services Authority:			
Temporary Aid for Needy Families:			
Emergency Shelter Service Program	93.558	2013DPSS11	115,605
Homeless Family Solutions System	93.558	2014HFSS05	261,206
Homeless Family Solutions System	93.558	2014HFSS07	<u>34,278</u>
			<u>411,089</u>
Passed through The Whole Child:			
Homeless Family Solutions System	93.558	2014HFSS04	<u>38,639</u>
Total Department of Health and Human Services			<u>449,728</u>
Total			<u>\$ 4,156,073</u>

See independent auditor's report.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of L.A. Family Housing Corporation and Affiliated Organizations and is presented on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

NOTE 2. AMOUNTS PROVIDED TO SUBRECIPIENTS

The Organization provided grant funds to the following entities as subrecipients of the Homeless Family Solutions System Program during the year ended December 31, 2014.

<u>Subrecipient</u>	<u>Amount</u>
Ascencia	\$ 10,025
Bridge to Home	4,956
Hope of the Valley	<u>23,779</u>
	<u>\$ 38,760</u>

See independent auditor's report.



Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Consolidated Financial Statements
Performed in Accordance with *Government Auditing Standards*

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

Report on Consolidated Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of L.A. Family Housing Corporation and Affiliated Organizations (collectively, L.A. Family Housing), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated June 30, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether L.A. Family Housing's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Consolidated Financial Statements
Performed in Accordance with *Government Auditing Standards*
(Continued)

not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Holt House Carlin & Van Tigt LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
June 30, 2015



Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited L.A. Family Housing Corporation and Affiliated Organizations' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of L.A. Family Housing Corporation and Affiliated Organizations' major federal programs for the year ended December 31, 2014. L.A. Family Housing Corporation and Affiliated Organizations' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of L.A. Family Housing Corporation and Affiliated Organizations' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about L.A. Family Housing Corporation and Affiliated Organizations' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of L.A. Family Housing Corporation and Affiliated Organizations' compliance.

Opinion on Each Major Federal Program

In our opinion, L.A. Family Housing Corporation and Affiliated Organizations complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of L.A. Family Housing Corporation and Affiliated Organizations is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to

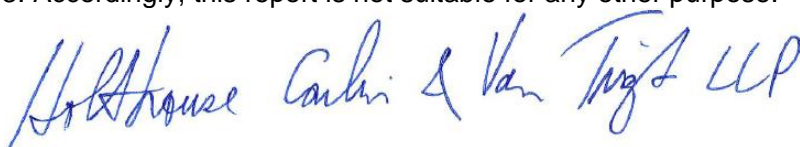
Independent Auditors' Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133
(Continued)

above. In planning and performing our audit, we considered L.A. Family Housing Corporation and Affiliated Organizations' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of L.A. Family Housing Corporation and Affiliated Organizations' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Holt House Carlin & Van Tergt LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
June 30, 2015

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS
 (A NONPROFIT CALIFORNIA CORPORATION)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2014

Section I—Summary of Auditor's Results

Consolidated Financial Statements

Type of auditor's report issued: Unqualified
 Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified? _____ yes X none reported
 Noncompliance material to consolidated financial statements
 noted? _____ yes X no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified? _____ yes X none reported
 Type of auditor's report issued on compliance
 for major programs: Unqualified
 Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care Program
14.218	Community Development Block Grants
93.558	Temporary Aid for Needy Families

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II—Financial Statement Findings

We found no significant deficiencies, material weaknesses, or instances of noncompliance related to the consolidated financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

Section III—Federal Award Findings and Questioned Costs

There were no findings noted.

L.A. FAMILY HOUSING CORPORATION AND AFFILIATED ORGANIZATIONS

(A NONPROFIT CALIFORNIA CORPORATION)

COCHRAN VILLA, INC. - 90-RHCP-041

MORTGAGOR'S CERTIFICATION

DECEMBER 31, 2014

I hereby certify that I have examined the supplementary information of Cochran Villa, Inc. included in the accompanying Schedules IV – VI, as of and for the year ended December 31, 2014 and, to the best of my knowledge and belief; the same is complete and accurate.

Signature:



Printed Name:

Stephanie Klasky-Gamer

Title:

President & CEO

Date:

June 30, 2014

EMPLOYER IDENTIFICATION NUMBER: 95-3920560