

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
with  
Report of Independent Auditors  
**For the Years Ended June 30, 2016 and 2015**

# COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

## TABLE OF CONTENTS

	PAGE
Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Information	
Consolidated Schedules of Financial Position – Community Housing Partnership only	39
Consolidated Schedules of Activities and Changes in Net Assets – Community Housing Partnership only	41
Schedule of Related-Party Receivables – Community Housing Partnership only	43
Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards	44
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	49
Schedule of Findings and Questioned Costs	51



## **Report of Independent Auditors**

To the Board of Directors of  
Community Housing Partnership and Affiliates:

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

We have audited the accompanying consolidated financial statements of Community Housing Partnership, a California nonprofit corporation, and affiliates (the “Organization”), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, and cash flows for the years 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.

### ***Auditors’ Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 financial position of the Organization as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 37 to 41 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual companies, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Novogradac & Company LLP*

Walnut Creek, California  
February 15, 2017

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

	<i>Community Housing Partnership</i>	<i>LIHTC Partnerships</i>	<i>Other Companies</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 479,908	\$ 1,261,339	\$ 353,939	\$ 2,095,186	\$ -	\$ 2,095,186
Receivables						
Government grants	1,078,211	-	254,048	1,332,259	-	1,332,259
Other grants	148,034	-	-	148,034	-	148,034
Contract services	164,434	-	-	164,434	-	164,434
Related parties - current portion	1,351,734	-	471,460	1,823,194	(1,823,194)	-
Developer fee receivable	90,000	-	-	90,000	-	90,000
Rent, subsidy, and others	602,914	280,252	71,442	954,608	(2,475)	952,133
Prepaid expenses and deposits	133,555	426,193	6,759	566,507	-	566,507
Total current assets	<u>4,048,790</u>	<u>1,967,784</u>	<u>1,157,648</u>	<u>7,174,222</u>	<u>(1,825,669)</u>	<u>5,348,553</u>
Receivables						
Related parties - net of current portion	484,269	-	2,453,500	2,937,769	(2,937,769)	-
Restricted deposits						
Replacement, operating and other reserves	2,454,883	10,151,462	705,952	13,312,297	-	13,312,297
Tenant security deposits	92,480	218,732	13,940	325,152	-	325,152
Development in progress	608,920	6,075,941	623,613	7,308,474	-	7,308,474
Fixed assets - net	14,965,104	147,266,410	-	162,231,514	16,519	162,248,033
Deferred costs - net	-	489,365	-	489,365	-	489,365
Investment in other companies	4,098,536	-	2,758,009	6,856,545	(6,856,545)	-
Marketable securities	3,053	-	-	3,053	-	3,053
<b>Total assets</b>	<u>\$ 26,756,035</u>	<u>\$ 166,169,694</u>	<u>\$ 7,712,662</u>	<u>\$ 200,638,391</u>	<u>\$ (11,603,464)</u>	<u>\$ 189,034,927</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current liabilities</b>						
Accounts payable and accrued expenses	\$ 1,077,354	\$ 185,538	\$ 124,388	\$ 1,387,280	\$ (37,495)	\$ 1,349,785
Development costs payable	-	633,453	-	633,453	-	633,453
Related parties - current portion	889,700	407,142	238,708	1,535,550	(1,521,050)	14,500
Line of credit	300,000	-	-	300,000	-	300,000
Interest payable - current portion	18,038	200,027	-	218,065	-	218,065
Notes payable - current portion	62,299	-	30,000	92,299	-	92,299
Total current liabilities	<u>2,347,391</u>	<u>1,426,160</u>	<u>393,096</u>	<u>4,166,647</u>	<u>(1,558,545)</u>	<u>2,608,102</u>
Tenant security deposits	87,456	211,147	13,940	312,543	-	312,543
Deferred income	219,068	862,596	299,427	1,381,091	1,744,552	3,125,643
Related parties - net of current portion	-	533,093	-	533,093	(533,093)	-
Interest payable - net of current portion	5,829,527	5,254,077	-	11,083,604	-	11,083,604
Notes payable - net of current portion	10,604,422	103,383,650	2,116,007	116,104,079	(2,676,000)	113,428,079
Total non-current liabilities	<u>16,740,473</u>	<u>110,244,563</u>	<u>2,429,374</u>	<u>129,414,410</u>	<u>(1,464,541)</u>	<u>127,949,869</u>
<b>Total liabilities</b>	<u>19,087,864</u>	<u>111,670,723</u>	<u>2,822,470</u>	<u>133,581,057</u>	<u>(3,023,086)</u>	<u>130,557,971</u>
<b>Net assets</b>						
<b>Unrestricted</b>						
Controlling interest	2,064,726	2,703,353	4,890,192	9,658,271	(8,580,378)	1,077,893
Non-controlling interest	-	51,795,618	-	51,795,618	-	51,795,618
Total unrestricted net assets	<u>2,064,726</u>	<u>54,498,971</u>	<u>4,890,192</u>	<u>61,453,889</u>	<u>(8,580,378)</u>	<u>52,873,511</u>
Temporarily restricted	5,603,445	-	-	5,603,445	-	5,603,445
Total net assets	<u>7,668,171</u>	<u>54,498,971</u>	<u>4,890,192</u>	<u>67,057,334</u>	<u>(8,580,378)</u>	<u>58,476,956</u>
<b>Total liabilities and net assets</b>	<u>\$ 26,756,035</u>	<u>\$ 166,169,694</u>	<u>\$ 7,712,662</u>	<u>\$ 200,638,391</u>	<u>\$ (11,603,464)</u>	<u>\$ 189,034,927</u>

see accompanying notes to consolidated financial statements

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015**

	<i>Community Housing Partnership</i>	<i>LIHTC Partnerships</i>	<i>Other Companies</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 420,717	\$ 560,956	\$ 590,120	\$ 1,571,793	\$ -	\$ 1,571,793
Receivables						
Government grants	476,373	-	-	476,373	-	476,373
Contract services	120,120	-	-	120,120	-	120,120
Related parties - current portion	570,949	4,020	-	574,969	(324,969)	250,000
Rent, subsidy, and others	292,271	503,936	60,762	856,969	(12,262)	844,707
Prepaid expenses and deposits	154,271	57,671	5,920	217,862	-	217,862
Total current assets	<u>2,034,701</u>	<u>1,126,583</u>	<u>656,802</u>	<u>3,818,086</u>	<u>(337,231)</u>	<u>3,480,855</u>
Receivables						
Related parties - net of current portion	1,540,690	-	2,643,500	4,184,190	(4,151,563)	32,627
Restricted deposits						
Replacement, operating and other reserves	2,231,960	7,516,637	779,944	10,528,541	-	10,528,541
Tenant security deposits	86,377	129,597	15,039	231,013	-	231,013
Development in progress	6,220	821,828	-	828,048	-	828,048
Fixed assets - net	15,936,089	101,018,935	-	116,955,024	16,519	116,971,543
Deferred costs - net	-	391,054	-	391,054	-	391,054
Investment in other companies	2,562,431	-	1,749,566	4,311,997	(4,307,797)	4,200
Marketable securities	1,443	-	-	1,443	-	1,443
Total assets	<u>\$ 24,399,911</u>	<u>\$ 111,004,634</u>	<u>\$ 5,844,851</u>	<u>\$ 141,249,396</u>	<u>\$ (8,780,072)</u>	<u>\$ 132,469,324</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current liabilities</b>						
Accounts payable and accrued expenses	\$ 1,085,963	\$ 161,060	\$ 63,168	\$ 1,310,191	\$ (57,758)	\$ 1,252,433
Development costs payable	-	215,934	-	215,934	-	215,934
Interest payable - current portion	18,038	144,366	-	162,404	-	162,404
Notes payable - current portion	60,126	7,995,568	-	8,055,694	-	8,055,694
Total current liabilities	<u>1,164,127</u>	<u>8,516,928</u>	<u>63,168</u>	<u>9,744,223</u>	<u>(57,758)</u>	<u>9,686,465</u>
Tenant security deposits	89,573	120,098	15,039	224,710	-	224,710
Related-party payable	586,244	1,170,517	55,725	1,812,486	(1,780,036)	32,450
Deferred income	19,729	480,380	467	500,576	1,628,778	2,129,354
Interest payable - net of current portion	5,426,170	4,124,351	-	9,550,521	-	9,550,521
Notes payable - net of current portion	10,643,513	61,906,033	2,116,007	74,665,553	(2,651,000)	72,014,553
Total non-current liabilities	<u>16,765,229</u>	<u>67,801,379</u>	<u>2,187,238</u>	<u>86,753,846</u>	<u>(2,802,258)</u>	<u>83,951,588</u>
Total liabilities	17,929,356	76,318,307	2,250,406	96,498,069	(2,860,016)	93,638,053
<b>Net assets</b>						
<b>Unrestricted</b>						
Controlling interest	1,073,609	1,739,458	3,594,445	6,407,512	(5,920,056)	487,456
Non-controlling interest	-	32,946,869	-	32,946,869	-	32,946,869
Total unrestricted net assets	<u>1,073,609</u>	<u>34,686,327</u>	<u>3,594,445</u>	<u>39,354,381</u>	<u>(5,920,056)</u>	<u>33,434,325</u>
Temporarily restricted	5,396,946	-	-	5,396,946	-	5,396,946
Total net assets	<u>6,470,555</u>	<u>34,686,327</u>	<u>3,594,445</u>	<u>44,751,327</u>	<u>(5,920,056)</u>	<u>38,831,271</u>
Total liabilities and net assets	<u>\$ 24,399,911</u>	<u>\$ 111,004,634</u>	<u>\$ 5,844,851</u>	<u>\$ 141,249,396</u>	<u>\$ (8,780,072)</u>	<u>\$ 132,469,324</u>

see accompanying notes to consolidated financial statements

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<i>Community Housing Partnership</i>	<i>LIHTC Partnerships</i>	<i>Other Companies</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
Change in unrestricted net assets						
Revenue and other support						
Government grants	\$ 5,631,209	\$ -	\$ 1,375,323	\$ 7,006,532	\$ -	\$ 7,006,532
Contributions	1,570,049	-	-	1,570,049	-	1,570,049
In-kind contributions	80,260	-	-	80,260	-	80,260
Contract service income	1,812,308	-	-	1,812,308	(98,256)	1,714,052
Rent and subsidy income - net	3,738,668	3,168,472	1,167,217	8,074,357	(18,000)	8,056,357
Local Operating Subsidy Program grant	319,333	3,786,106	-	4,105,439	-	4,105,439
Developer fees	550,000	-	-	550,000	(460,000)	90,000
Related party fees	2,792,110	-	-	2,792,110	(2,723,714)	68,396
Income (loss) from investment in other companies	1,511,105	-	998,443	2,509,548	(2,509,548)	-
Interest and other income	70,831	66,926	104,880	242,637	(59,197)	183,440
Investment income	110	-	-	110	-	110
Total revenue and other support	<u>18,075,983</u>	<u>7,021,504</u>	<u>3,645,863</u>	<u>28,743,350</u>	<u>(5,868,715)</u>	<u>22,874,635</u>
Net assets released from restrictions	261,440	-	-	261,440	-	261,440
Total unrestricted revenue and support	<u>18,337,423</u>	<u>7,021,504</u>	<u>3,645,863</u>	<u>29,004,790</u>	<u>(5,868,715)</u>	<u>23,136,075</u>
Expenses						
Program services	12,566,402	7,481,728	2,375,116	22,423,246	(3,199,167)	19,224,079
Management and general	4,115,527	-	-	4,115,527	-	4,115,527
Fundraising	413,936	-	-	413,936	-	413,936
Total expenses before deferred interest, depreciation and amortization	<u>17,095,865</u>	<u>7,481,728</u>	<u>2,375,116</u>	<u>26,952,709</u>	<u>(3,199,167)</u>	<u>23,753,542</u>
Change in unrestricted net assets before deferred interest, depreciation and amortization, and gain on involuntary conversion	1,241,558	(460,224)	1,270,747	2,052,081	(2,669,548)	(617,467)
Deferred interest	403,355	1,068,737	-	1,472,092	-	1,472,092
Depreciation and amortization	714,244	4,431,984	-	5,146,228	(44,226)	5,102,002
Total deferred interest, depreciation and amortization	<u>1,117,599</u>	<u>5,500,721</u>	<u>-</u>	<u>6,618,320</u>	<u>(44,226)</u>	<u>6,574,094</u>
Gain on involuntary conversion	867,158	-	-	867,158	-	867,158
Change in unrestricted net assets	991,117	(5,960,945)	1,270,747	(3,699,081)	(2,625,322)	(6,324,403)
Change in temporarily restricted net assets						
Contributions	467,939	-	-	467,939	-	467,939
Release from temporarily restricted net assets	(261,440)	-	-	(261,440)	-	(261,440)
Change in temporarily restricted net assets	<u>206,499</u>	<u>-</u>	<u>-</u>	<u>206,499</u>	<u>-</u>	<u>206,499</u>
Total change in net assets	1,197,616	(5,960,945)	1,270,747	(3,492,582)	(2,625,322)	(6,117,904)
Net assets, beginning of year	6,470,555	34,686,327	3,594,445	44,751,327	(5,920,056)	38,831,271
Increase (decrease) in net assets from consolidation of						
25 Essex, L.P. and Folsom Essex LLC	-	18,269,924	-	18,269,924	(10,000)	18,259,924
Capital contributions - controlling interest	-	-	25,000	25,000	(25,000)	-
Capital contributions - non-controlling interest	-	7,503,665	-	7,503,665	-	7,503,665
Net assets, end of year	<u>\$ 7,668,171</u>	<u>\$ 54,498,971</u>	<u>\$ 4,890,192</u>	<u>\$ 67,057,334</u>	<u>\$ (8,580,378)</u>	<u>\$ 58,476,956</u>
Reconciliation of net assets						
Controlling interest						
Beginning of year						\$ 5,884,402
Increase in net assets from consolidation of 25 Essex, L.P. and Folsom Essex LLC						998,930
Changes in net assets						<u>(201,994)</u>
End of year						6,681,338
Non-controlling interest						
Beginning of year						32,946,869
Increase in net assets from consolidation of 25 Essex, L.P. and Folsom Essex LLC						17,260,994
Capital contributions						7,503,665
Changes in net assets						<u>(5,915,910)</u>
End of year						<u>51,795,618</u>
Net assets, end of year						<u>\$ 58,476,956</u>

see accompanying notes to consolidated financial statements

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<i>Community Housing Partnership</i>	<i>LIHTC Partnerships</i>	<i>Other Companies</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
Change in unrestricted net assets						
Revenue and other support						
Government grants	\$ 5,091,126	\$ -	\$ -	\$ 5,091,126	\$ -	\$ 5,091,126
Contributions	926,039	-	-	926,039	-	926,039
In-kind contributions	185,776	-	-	185,776	-	185,776
Contract service income	1,380,524	-	-	1,380,524	-	1,380,524
Rent and subsidy income - net	3,519,771	2,214,436	967,040	6,701,247	-	6,701,247
Local Operating Subsidy Program grant	365,135	3,272,145	-	3,637,280	-	3,637,280
Developer fees	1,024,595	-	-	1,024,595	(1,024,595)	-
Related party fees	2,264,880	-	-	2,264,880	(1,974,597)	290,283
Income (loss) from investment in other companies	11,589	-	(475)	11,114	(11,114)	-
Interest and other income	611,102	37,834	103,062	751,998	(117,262)	634,736
Investment loss	(14)	-	-	(14)	-	(14)
Total revenue and other support	<u>15,380,523</u>	<u>5,524,415</u>	<u>1,069,627</u>	<u>21,974,565</u>	<u>(3,127,568)</u>	<u>18,846,997</u>
Net assets released from restrictions	<u>1,028,237</u>	<u>-</u>	<u>-</u>	<u>1,028,237</u>	<u>-</u>	<u>1,028,237</u>
Total unrestricted revenue and support	<u>16,408,760</u>	<u>5,524,415</u>	<u>1,069,627</u>	<u>23,002,802</u>	<u>(3,127,568)</u>	<u>19,875,234</u>
Expenses						
Program services	12,105,920	5,744,290	1,087,422	18,937,632	(2,706,616)	16,231,016
Management and general	3,119,394	-	-	3,119,394	-	3,119,394
Fundraising	370,467	-	-	370,467	-	370,467
Total expenses before deferred interest, depreciation and amortization	<u>15,595,781</u>	<u>5,744,290</u>	<u>1,087,422</u>	<u>22,427,493</u>	<u>(2,706,616)</u>	<u>19,720,877</u>
Change in unrestricted net assets before deferred interest, depreciation and amortization,	812,979	(219,875)	(17,795)	575,309	(420,952)	154,357
Deferred interest	403,355	969,199	-	1,372,554	-	1,372,554
Depreciation and amortization	765,424	3,859,009	-	4,624,433	(44,226)	4,580,207
Total deferred interest, depreciation and amortization	<u>1,168,779</u>	<u>4,828,208</u>	<u>-</u>	<u>5,996,987</u>	<u>(44,226)</u>	<u>5,952,761</u>
Change in unrestricted net assets	(355,800)	(5,048,083)	(17,795)	(5,421,678)	(376,726)	(5,798,404)
Change in temporarily restricted net assets						
Contributions	221,440	-	-	221,440	-	221,440
Release from temporarily restricted net assets	(1,028,237)	-	-	(1,028,237)	-	(1,028,237)
Change in temporarily restricted net assets	<u>(806,797)</u>	<u>-</u>	<u>-</u>	<u>(806,797)</u>	<u>-</u>	<u>(806,797)</u>
Total change in net assets	(1,162,597)	(5,048,083)	(17,795)	(6,228,475)	(376,726)	(6,605,201)
Net assets, beginning of year	7,633,152	35,917,669	2,242,299	45,793,120	(5,493,330)	40,299,790
Increase in net assets from assumption of						
CHP Villages sublease	-	-	1,319,941	1,319,941	-	1,319,941
Capital contributions - controlling interest	-	-	50,000	50,000	(50,000)	-
Capital contributions - non-controlling interest	-	3,892,941	-	3,892,941	-	3,892,941
Syndication costs	-	(76,200)	-	(76,200)	-	(76,200)
Net assets, end of year	<u>\$ 6,470,555</u>	<u>\$ 34,686,327</u>	<u>\$ 3,594,445</u>	<u>\$ 44,751,327</u>	<u>\$ (5,920,056)</u>	<u>\$ 38,831,271</u>
Reconciliation of net assets						
Controlling interest						
Beginning of year						\$ 6,122,121
Increase in net assets from assumption of CHP Villages sublease						1,319,941
Changes in net assets						<u>(1,557,660)</u>
End of year						5,884,402
Non-controlling interest						
Beginning of year						34,177,669
Capital contributions						3,892,941
Syndication costs						(76,200)
Changes in net assets						<u>(5,047,541)</u>
End of year						<u>32,946,869</u>
Net assets, end of year						<u>\$ 38,831,271</u>

see accompanying notes to consolidated financial statements



**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (6,117,904)	\$ (6,605,201)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Amortization of discount	11,513	24,737
Gain on involuntary conversion	(867,158)	-
Investment (income) loss	(110)	14
Depreciation and amortization	5,102,002	4,580,207
Amortization of deferred revenue - development fee	(44,226)	(44,226)
(Increase) decrease in assets		
Accounts receivable	(795,983)	1,092,949
Related party receivable	282,627	17,374
Developer fee receivable	(90,000)	-
Prepaid expenses and deposits	(277,105)	149,638
Tenant security deposits	(31,522)	(11,880)
Marketable securities	(1,500)	202
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(22,706)	(369,706)
Related party payable	(125,630)	(1,780)
Deferred income	191,248	513,643
Tenant security deposits payable	28,523	10,736
Interest payable	1,509,256	1,334,092
Net cash (used in) provided by operating activities	<u>(1,248,675)</u>	<u>690,799</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net increase in restricted deposit for reserves	(596,189)	(3,021,225)
Net increase in development in progress	(5,459,127)	(825,708)
Purchase of property and equipment	(14,820,042)	(3,194,050)
Insurance proceeds for casualty losses, net	302,396	-
Payment of loan costs	(26,219)	(147,656)
Payment on account of development costs	-	(1,177,753)
Increase in cash from consolidation of 25 Essex, L.P.	29,135	-
Increase in cash from consolidation of CHP Villages	-	594,325
Net cash used in investing activities	<u>(20,570,046)</u>	<u>(7,772,067)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital contributions - non-controlling interest	7,503,665	3,892,941
Payment of notes payable	(10,007,492)	(126,296)
Proceeds from line of credit	300,000	-
Proceeds from notes payable	24,545,941	4,084,244
Syndication costs	-	(76,200)
Net cash provided by financing activities	<u>22,342,114</u>	<u>7,774,689</u>
Net increase in cash and cash equivalents	523,393	693,421
Cash and cash equivalents at beginning of year	<u>1,571,793</u>	<u>878,372</u>
Cash and cash equivalents at end of year	<u>\$ 2,095,186</u>	<u>\$ 1,571,793</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ 369,954</u>	<u>\$ 378,823</u>
Interest capitalized to fixed assets and development in-progress	<u>\$ 17,164</u>	<u>\$ 77,736</u>
<b>Supplemental disclosure of noncash activities</b>		
Increase in fixed assets from capitalized amortization expense	<u>\$ -</u>	<u>\$ 86,751</u>
Increase in assets from consolidation of Folsom Essex LLC and 25 Essex, L.P.	<u>\$ 38,424,322</u>	<u>\$ -</u>
Increase in liabilities from consolidation of Folsom Essex LLC and 25 Essex, L.P.	<u>\$ 20,164,398</u>	<u>\$ -</u>
Decrease in investment in other companies from consolidation of Folsom Essex LLC	<u>\$ 4,200</u>	<u>\$ -</u>

see accompanying notes to consolidated financial statements

## COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

#### 1. Organization

Community Housing Partnership and affiliates (“CHP”) is a California non-profit public benefit corporation and was incorporated in March 1990. CHP’s mission is to help homeless people secure housing and become self-sufficient. Through an integrated network of services, from housing to employment, CHP ensures each client has an individualized pathway to success. For the purposes of CHP’s financial statements, activities are divided into these functional areas:

*Property Management:* CHP provides management of the properties owned and/or leased by the Organization. CHP also provides other fee-based services to properties they do not own or lease.

*Support Services:* CHP provides support services to formerly homeless individuals and families living in affordable housing.

*Social Enterprise and Workforce Services:* CHP prepares and assists clients living in affordable housing to enter the workforce in lobby services positions. CHP’s social enterprise, doing business as Solutions SF, provides front desk staffing services to numerous clients in San Francisco.

*Housing Development:* CHP develops affordable housing for homeless individuals and families.

*Fundraising:* CHP raises funds for the Organization’s programs and operations.

*Management and General:* CHP provides administrative support to each of the program areas listed above.

CHP is the sole member of limited liability companies (LLCs) that hold, or intend to hold, a controlling general partner interest in their respective limited partnerships providing affordable housing. These entities, which are included in the consolidated financial statements of CHP in accordance with generally accepted accounting principles, are single-member LLC’s holding a controlling general partner interest in their respective limited partnerships that provide, or will provide, affordable housing:

#### Limited Liability Companies

CHP Essex LLC  
CHP Eddy LLC  
CHP San Cristina LLC  
CHP Scott Street LLC  
CHP Ellis LLC  
CHP Arendt LLC  
CHP Fulton Street LLC  
CHP 666 RAD LLC  
CHP 1750 RAD LLC  
Folsom Essex LLC

#### Limited Partnerships

Hotel Essex, L.P.  
650 Eddy, L.P.  
San Cristina, L.P.  
CHP Scott Street, L.P.  
473 Ellis, L.P.  
Arendt House, L.P.  
365 Fulton, L.P.  
666 Ellis, L.P.  
1750 McAllister, L.P.  
25 Essex, L.P.

CHP is the sole member of CHP Fifth Street LLC, which operates 5<sup>th</sup> Street Apartments, a development which houses and supports young adults at risk of homelessness and is also the site of CHP’s centralized training center.

CHP is also the sole member of Treasure Island Family Services Space LLC, which supports property management and supportive services for low-income families.

## COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. Organization (continued)

In July 2015, CHP as its sole member, formed CHP Civic Center LLC in order to lease the rentable space at Civic Center Hotel (see note 18) and develop an on-site Navigation Center to provide supportive services and help tenants transition to permanent housing.

2. Summary of significant accounting policies and nature of operations

Principles of consolidation

The consolidated financial statements include the accounts of CHP, a nonprofit corporation, and the activity of limited partnerships and limited liability companies that are controlled by CHP. All significant intercompany transactions and balances have been eliminated in these consolidated financial statements.

Non-controlling interest

The non-controlling interest represents the aggregate balance of the limited partners' equity interests in Hotel Essex, L.P., 650 Eddy, L.P., 473 Ellis, L.P., Arendt House, L.P., 365 Fulton, L.P., CHP Scott Street, L.P., 25 Essex, L.P., and 666 Ellis, L.P. The aggregate balance of the limited partners' interest is shown in unrestricted net assets.

Basis of accounting

The Organization uses the accrual method of accounting consistent with accounting principles generally accepted in the United States of America, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Financial statement presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

*Unrestricted Net Assets:* Net assets that are not subject to donor-imposed stipulations that may or will be expendable by the board for any purpose in performing the Organization's primary objectives.

*Temporarily Restricted Net Assets:* Net assets that are subject to donor-imposed stipulations that may or will be met either by the Organization's actions and/or the passage of time.

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

2. Summary of significant accounting policies and nature of operations (continued)

Financial statement presentation (continued)

*Permanently Restricted Net Assets:* Net assets that are subject to donor-imposed stipulations whereby the resources are to be preserved in perpetuity.

Concentration of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

As of June 30, 2016 and 2015, cash balances in excess of the federal insured limits totaled \$6,421,964 and \$6,184,640 respectively.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for refunds of tenant security deposits, funding of operating deficits, repairs or improvements to the buildings which extend their useful lives, or otherwise restricted as to allowable uses. Restricted cash does not fall under the criteria for temporarily or permanently restricted net assets as these funds are held for operational purposes rather than donor imposed restrictions.

Accounts receivable

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. 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.

Investments in other companies

CHP's investment in other companies is recorded using the equity method. The investments were initially recorded at cost and then adjusted for CHP's proportionate share of undistributed earnings or losses. Investments in other companies which are majority controlled by CHP are eliminated in these consolidated financial statements.

Fixed assets and depreciation

Purchased fixed assets are stated at cost. The cost associated with the development and the construction of real property is capitalized. Major improvements are charged to the fixed asset account, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. When fixed assets are retired or otherwise disposed, the cost of the fixed asset and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

2. Summary of significant accounting policies and nature of operations (continued)

Fixed assets and depreciation (continued)

The useful lives of the assets are estimated as follows:

Buildings	27.5 to 55 years
Building improvements	10 to 55 years
Furniture and equipment	3 to 10 years

Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Depreciation expense during the years ended June 30, 2016 and 2015 was \$5,008,696 and \$4,501,544, respectively.

Deferred costs and amortization

Permanent loan fees are amortized on a straight-line basis over the life of the respective loan. Tax credit fees are amortized over the tax credit compliance period. Amortization expense for the years ended June 30, 2016 and 2015 was \$93,306 and \$78,663 respectively.

Fair value measurements

The Organization applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the Organization's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

*Level 1:* Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2:* Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3:* Unobservable inputs that reflect the Organization's own assumptions.

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

2. Summary of significant accounting policies and nature of operations (continued)

Fair value measurements (continued)

The following table presents certain assets that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of June 30, 2016 and 2015:

		June 30, 2016			
		Level 1	Level 2	Level 3	Fair Value Measurements
Assets					
	Marketable securities	\$ 3,053	\$ -	\$ -	\$ 3,053
		June 30, 2015			
		Level 1	Level 2	Level 3	Fair Value Measurements
Assets					
	Marketable securities	\$ 1,443	\$ -	\$ -	\$ 1,443

Investments in marketable securities consist of mutual funds and are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker dealer quotations or alternative pricing sources with reasonable levels of price transparency.

Investments

All debt and equity securities are carried at estimated fair value. Realized gains and losses on investments are determined using the specific-identification method. Unrealized gains and losses arise from changes in the fair value of debt and equity securities and are reported in the consolidated statements of activities as increases or decreases in unrestricted net assets.

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. There were no impairment losses recognized during the years ended June 30, 2016 and 2015.

Development in progress

The Organization incurs costs during the construction or rehabilitation phase of each affordable housing project. Such costs include governmental fees, legal, consulting and other fees needed to assess a project's feasibility and arrange for financing, as well as the hard construction costs. These costs are recorded as assets (development in progress) and are usually recoverable from loan proceeds, grants or other equity sources. Project construction costs are considered to be construction in progress and are not depreciated until the project is placed in service.

## COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

#### 2. Summary of significant accounting policies and nature of operations (continued)

##### Rental income

Rental revenue attributable to residential leases is recorded when due from residents or from the applicable federal or local housing agency. Rental payments received in advance are deferred until earned. Vacancy loss and rent concessions are shown as a reduction in gross potential rental income. Rental units occupied by employees are included as both rental income and as an expense of operations.

##### Revenue recognition

Contributions are recognized as revenue when they are unconditionally given. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. The Organization reports temporarily restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions.

Contract service revenue is recognized when earned and represents fees earned by the Organization for other services provided under various agreements and contracts in connection with the Organization's exempt purpose. Revenue resulting from special events, fees charged by the Organization, refunded grants and other income is recorded when earned.

##### Development fees

CHP recognizes developer fee revenue as earned during the development phase of a project based on a specific percentage related to the services performed.

The remaining portion of developer fees, not recognized at construction loan closing, is recognized over the remainder of the development period, beginning in the month of construction commencement, using the percentage of completion method. The completion will be marked by the benchmarks including the construction completion and/or full lease-up of the project according to the development agreement. The percentage of completion will generally be measured as total construction costs incurred to date divided by total construction costs identified in the construction contract or as the project reaches other agreed-upon benchmarks.

Developer fees earned on the development of properties owned by CHP are eliminated from the consolidated financial statements and therefore are not recognized as income on a consolidated basis.

Developer fee profits recognized from subsidiaries are eliminated as intercompany transactions. CHP estimates that 60% of its developer fees cover related project costs. Project costs include costs of development, such as consultants, allocated internal salaries and benefits, related overhead, and other non-reimbursed fees that are ordinarily capitalized. The 40% profit portion of the development fees is considered deferred income and amortized annually to offset the depreciation expense related to the fee capitalized as real property costs.

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

2. Summary of significant accounting policies and nature of operations (continued)

Income taxes

CHP is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d).

Single member limited liability companies are disregarded as an entity separate from its owner.

Income taxes on affiliated partnerships are levied on the partners in their individual capacity. All profits and losses of the partnerships are recognized by each partner on its respective tax return. Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. Management has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Guarantees

Generally accepted accounting principles require a liability to be recorded for the fair value of the stand ready obligation associated with a guarantee issued after December 31, 2002. Guarantees issued between entities under common control or on behalf of an entity under common control are excluded. Consequently, no liabilities have been recorded as all guarantees are considered to be issued to entities under common control.

Economic concentration

The Organization operates various properties located in San Francisco, California. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in demand for such housing and supportive services.

In-kind contributions

Donated services – The Organization receives various volunteer services throughout the year. The fair value of donated services is recognized in the financial statements if the services either (i) create or enhance a nonfinancial asset, or (ii) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. During the years ended June 30, 2016 and 2015, the value of volunteer services totaled \$68,042 and \$179,921, respectively, and is included in in-kind contributions on the accompanying consolidated statements of activities.

Donated assets – Donated assets are recorded at fair value on the date of donation. The Organization received donated assets valued at \$12,218 and \$5,855 during the years ended June 30, 2016 and 2015, respectively, and is included in in-kind contributions on the accompanying consolidated statements of activities.



**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2016 and 2015

2. Summary of significant accounting policies and nature of operations (continued)

Subsequent events

Subsequent events have been evaluated through February 15, 2017, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Restricted cash

The Organization is required by certain loan and regulatory agreements to maintain separate replacement reserves, operating reserves and other reserve accounts, withdrawal from which normally requires prior approval from the lenders or regulatory agencies. The Organization's restricted cash consisted of the following at June 30, 2016 and 2015:

	2016				
	Replacement Reserves	Operating Reserves	Other Reserves	Subsidy Reserves	Total
Senator Hotel	\$ 342,503	\$ 192,878	\$ -	\$ -	\$ 535,381
San Cristina Hotel	396,880	139,984	-	-	536,864
Iroquois Hotel	79,488	80,793	-	-	160,281
Island Bay Homes	211,147	103,881	-	655	315,683
Hotel Essex, L.P.	281,487	284,361	-	603	566,451
650 Eddy, L.P.	324,944	276,497	252,911	354	854,706
Arendt House, L.P.	163,135	218,657	-	737	382,529
473 Ellis, L.P.	34,881	3,772,909	-	-	3,807,790
365 Fulton, L.P.	364,682	1,212,644	21,890	492,796	2,092,012
CHP Scott Street, L.P.	103,075	140,963	-	418	244,456
5 <sup>th</sup> Street Apartments	-	32	-	-	32
CHP Villages	287,604	178,285	-	240,063	705,952
666 Ellis, L.P.	19,801	-	726,183	-	745,984
25 Essex, L.P.	221,296	702,096	170,074	364,068	1,457,534
<b>Total</b>	<b>\$ 2,830,923</b>	<b>\$ 7,303,980</b>	<b>\$ 1,171,058</b>	<b>\$ 1,099,694</b>	<b>\$ 12,405,655</b>

	2015				
	Replacement Reserves	Operating Reserves	Other Reserves	Subsidy Reserves	Total
Senator Hotel	\$ 327,941	\$ 192,762	\$ -	\$ -	\$ 520,703
San Cristina Hotel	404,908	139,899	-	-	544,807
Iroquois Hotel	114,400	80,745	-	-	195,145
Island Bay Homes	5,561	11,342	-	-	16,903
Hotel Essex, L.P.	247,387	284,190	-	42,480	574,057
650 Eddy, L.P.	279,127	997	252,759	39	532,922
Arendt House, L.P.	145,240	218,525	-	40,502	404,267
473 Ellis, L.P.	46,059	3,876,671	-	-	3,922,730
365 Fulton, L.P.	307,659	1,211,744	9,326	544,331	2,073,060
CHP Scott Street, L.P.	9,601	-	-	-	9,061
5 <sup>th</sup> Street Apartments	-	306	-	-	306
CHP Villages	267,308	178,196	-	334,440	779,944
<b>Total</b>	<b>\$ 2,155,191</b>	<b>\$ 6,195,377</b>	<b>\$ 262,085</b>	<b>\$ 961,792</b>	<b>\$ 9,574,445</b>

## COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

#### 3. Restricted cash (continued)

In addition to the reserves in the tables above, the Organization also maintains a corporate reserve and supplemental reserve, the use of which is restricted by certain loan agreements. The balance of the corporate reserve as of June 30, 2016 and 2015 was \$839,094 and \$796,706, respectively. The balance of the supplemental reserve as of June 30, 2016 and 2015 was \$67,548 and \$157,390, respectively.

The Organization is also required to hold tenant security deposits in a separate bank account in the name of each project. Security deposits as of June 30, 2016 and 2015 were \$325,152 and \$231,013, respectively.

*Senator Hotel* – In accordance with the Department of Housing and Community Development (“HCD”) Multifamily Housing Program (“MHP”) regulatory agreement, CHP is required to make an annual deposit of \$37,845 to the replacement reserve. In accordance with the loan agreement between CHP and the City and County of San Francisco (the “City”), deposits to the operating reserve are required if the balance falls below 25% of project income, as defined, in a monthly amount equal to 3% of annual operating expenses. HCD requires operating reserve deposits in accordance with approved annual operating budgets.

*San Cristina Hotel* – In accordance with the HCD regulatory agreement, CHP shall make deposits into the operating and replacement reserves as specified in approved annual budgets.

*Iroquois Hotel* – In accordance with the 1995 loan agreement with the City and County of San Francisco’s Mayor’s Office of Housing (“MOH”), CHP is required to make annual deposits to the replacement reserve equal to \$10,679. However, management is making additional discretionary deposits as approved by MOH. This agreement also requires CHP to make monthly deposits to the operating reserve equal to 2.5% of average monthly operating expenses of the previous year until such time as the reserve reaches a balance of 25% of prior year operating expenses.

*Island Bay Homes* – In accordance with the loan agreement with the City, CHP is required to fund a replacement reserve in an amount equal to \$500 per unit per year increasing by 3.5% annually. CHP is also required to maintain an operating reserve balance equal to 25% of the prior year operating expenses. During the fiscal year ended June 30, 2010, by agreement with the City, CHP set up a separate subsidy reserve in the amount of \$128,440, which was transferred from the operating reserve. The reserve was established to supplement anticipated future negative cash flows at the project.

*Hotel Essex, L.P.* – In accordance with the partnership agreement and the lenders’ regulatory agreements, the replacement reserve is required to be funded in the annual amount of \$45,000. The agreements also require the partnership to maintain an operating reserve that is required to be funded monthly in an amount equal to one-twelfth of 3% of the prior year’s actual project expenses until the balance in the operating reserve equals 25% of the prior year’s actual project expenses. Additionally, according to the HCD regulatory agreement, the partnership shall fully replace any withdrawals from the operating reserve prior to using available cash flow to pay partnership fees. In addition to the replacement and operating reserves, the partnership is required to maintain an operating subsidy reserve account in accordance with the Local Operating Subsidy Program (“LOSP”) grant agreement with the City. The operating subsidy reserve account is used to deposit any excess subsidy payments received from the City that have not been earned during the year.

## COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

#### 3. Restricted cash (continued)

*650 Eddy, L.P.* – In accordance with the partnership agreement and the lenders' regulatory agreements, the replacement reserve is required to be funded in the annual amount of \$49,800. The agreements also require the partnership to maintain an operating reserve that is required to be funded monthly in an amount equal to a specified percentage of the prior year's actual project expenses until the balance in the operating reserve equals 25% of the prior year's actual project expenses. Additionally, according to the HCD regulatory agreement, the partnership shall fully replace any withdrawals from the operating reserve prior to using available cash flow to pay partnership fees. The partnership is also required to maintain a transition reserve in accordance with the partnership agreement and the lenders' regulatory agreement. The reserve was required to be funded in an initial amount of \$250,000 with no subsequent deposits required to be made. In addition to the replacement, operating, and transition reserves, the partnership is required to maintain an operating subsidy reserve account in accordance with the LOSP grant agreement with the City. The operating subsidy reserve account is used to deposit any excess subsidy payments received from the City that have not been earned during the year.

*Arendt House, L.P.* – In accordance with the partnership agreement and the lenders' regulatory agreements, the replacement reserve is required to be funded in the annual amount of \$28,200. The agreements also require the partnership to maintain an operating reserve that is required to be funded monthly in an amount equal to one-twelfth of 3% of the prior year's actual project expenses until the balance in the operating reserve equals at least 25% of the prior year's actual project expenses. In addition to the replacement and operating reserves, the partnership is required to maintain an operating subsidy reserve account in accordance with the LOSP grant agreement with the City. The operating subsidy reserve account is used to deposit any excess subsidy payments received from the City that have not been earned during the year.

*473 Ellis, L.P.* – In accordance with the partnership agreement and the lenders' regulatory agreements, the replacement reserve is required to be funded in the annual amount of \$30,900. The HCD regulatory agreement requires the partnership to maintain an operating reserve with a minimum balance of \$170,224 with any withdrawals from the reserve to be replaced in full prior to any distributions of surplus cash. The loan agreement between 473 Ellis, L.P. and the City requires the minimum operating reserve balance to be equal to 25% of the prior year's project expenses, as defined, with monthly deposits equal to one-twelfth of 3% of the prior year's actual project expenses until the minimum balance is funded. HCD also requires a supplemental operating reserve in order to fund operating deficits throughout the term of the loan. Additional reserves have been funded in accordance with the partnership agreement.

*365 Fulton, L.P.* – In accordance with the partnership agreement and the lenders' regulatory agreements, the replacement reserve is required to be funded in an annual amount equal to \$70,800. The agreements also require the partnership to maintain an operating reserve balance of 25% of prior year operating expenses. Additionally, according to the HCD regulatory agreement, the partnership shall fully replace any withdrawals from the operating reserve prior to using available cash flow to pay partnership fees. The partnership also maintains certain operating reserves pursuant to the partnership's California Housing Finance Agency regulatory agreement. In addition to the replacement and operating reserves, the partnership is required to maintain an operating subsidy reserve account in accordance with the LOSP grant agreement with the City. The operating subsidy reserve account is used to deposit any excess subsidy payments received from the City that have not been earned during the year. Additional reserves have been funded in accordance with the partnership agreement.

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2016 and 2015

3. Restricted cash (continued)

*CHP Scott Street, L.P.* – In accordance with the partnership agreement and the lenders’ regulatory agreements, the replacement reserve is required to be funded in the annual amount of \$13,425. The HCD regulatory agreement requires the partnership to maintain an operating reserve with a minimum balance of \$411,875 with any withdrawals from the reserve to be replaced in full prior to any distributions of surplus cash. The partnership must maintain an operating subsidy reserve pursuant to the LOSP grant agreement with the City. The reserve shall be a segregated account comprised of subsidy payments received from the City prior to use in operations as outlined in the grant agreement.

*25 Essex, L.P.* – In accordance with the partnership agreement and the lenders’ regulatory agreements, after the required initial deposit of \$54,600, the replacement reserve is required to be funded in an annual amount of \$72,000 through equal monthly deposits. The HCD regulatory agreement requires the partnership to maintain an operating reserve with a minimum balance of \$701,900 with any withdrawals from the reserve to be replaced in full prior to any distributions of surplus cash. The partnership was also required to establish lease-up reserves in the initial funding amount of \$170,000, which funds shall revert to the primary operating reserve after the lease-up or stabilization period. The partnership must also maintain an operating subsidy reserve pursuant to the LOSP grant agreement with the City. The reserve shall be a segregated account comprised of subsidy payments received from the City prior to use in operations as outlined in the grant agreement.

*666 Ellis, L.P.* – In accordance with the partnership agreement and the lenders’ regulatory agreements, after the required initial deposit of \$99,00, the replacement reserve is required to be funded in an annual amount of \$39,600 through equal monthly deposits. The partnership must also maintain an operating reserve with a balance of \$325,020 with any withdrawals from the reserve to be replaced in full prior to certain other uses of surplus cash. The partnership agreement and loan agreements also require a transition reserve in the initial funding amount of \$294,341 to pay for operating deficits during the initial phase of the project, which funds shall revert to the primary operating reserve after the lease-up.

*CHP Villages* – In accordance with the project’s loan agreement with the City, monthly deposits to the replacement reserve are required equal to 2% of project income of the previous month, subject to adjustment by the City. The loan agreement also requires an operating reserve to be funded at a minimum balance equal to 25% of the prior year’s actual project expenses. Additionally, the loan agreement requires a special surplus reserve account. The project shall deposit project income in excess of project expenses into the special surplus reserve account.

4. Contributions and grants receivable

Contributions and grants receivable as of June 30, 2016 and 2015, which represent amounts expected to be received in less than one year, consisted of the following:

	<u>2016</u>	<u>2015</u>
Federal grant receivable	\$ 1,332,259	\$ 476,373
Other contributions and grants	<u>148,034</u>	<u>-</u>
Total	<u>\$ 1,480,293</u>	<u>\$ 476,373</u>

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

5. Fixed assets

Fixed assets as of June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 6,232,752	\$ 5,814,390
Buildings and improvements	187,755,655	136,785,824
Furniture, fixtures, and equipment	<u>4,081,687</u>	<u>3,324,367</u>
Total fixed assets	198,070,094	145,924,581
Less accumulated depreciation	<u>(35,822,061)</u>	<u>(28,953,038)</u>
Total fixed assets, net	<u>\$ 162,248,033</u>	<u>\$ 116,971,543</u>
Development in progress	<u>\$ 7,308,474</u>	<u>\$ 828,048</u>

Depreciation expense during the years ended June 30, 2016 and 2015 was \$5,008,696 and \$4,501,544, respectively, which is shown net of deferred developer fee amortization of \$44,226 (see note 13).

Senator Hotel

During October 2015, Senator Hotel experienced fire and flood damage which resulted in significant damage to the project. The damage caused by the fire resulted in a reduction of fixed assets and accumulated depreciation in the amount of \$544,859 and \$153,236, respectively (a net book value of \$391,623). The reduction was determined by adjusting for inflation the total actual and estimated replacement costs of \$496,025 and \$200,000, respectively, for a total of \$696,025. Based on actual insurance proceeds received of \$1,258,781 as of the date the financial statements were issued, a gain on involuntary conversion was recorded in the amount of \$867,158 for the year ended June 30, 2016.

6. Deferred costs

Deferred costs as of June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Permanent loan costs	\$ 241,050	\$ 345,558
Tax credit fees	<u>527,767</u>	<u>384,394</u>
Total deferred costs	768,817	729,952
Less accumulated amortization	<u>(279,452)</u>	<u>(338,898)</u>
Total deferred costs, net	<u>\$ 489,365</u>	<u>\$ 391,054</u>

Amortization expense for the years ended June 30, 2016 and 2015 was \$93,306 and \$78,663, respectively. During the years ended June 30, 2016 and 2015, fully amortized costs were written off in the amount of \$181,426 and \$0, respectively.

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

7. Investment in other companies

CHP was a co-member of Folsom Essex LLC with MCB Family Housing, Inc. Folsom Essex LLC was formed on July 22, 2009 to serve as the general partner of 25 Essex, L.P., the owner of Rene Cazenave Apartments. CHP accounted for its investment in Folsom Essex LLC under the equity method of accounting. As of June 30, 2015, the investment balance related to Folsom Essex, LLC was \$4,200.

Effective October 30, 2015, upon the withdrawal from Folsom Essex LLC by MCB Family Housing Inc., CHP gained control over Folsom Essex LLC and 25 Essex, L.P., at which time the Organization began consolidating these entities as part of the consolidated financial statements. All intercompany transactions subsequent to consolidation have been eliminated in the accompanying financial statements.

8. Related party transactions

Developer fees

CHP has entered into a development agreement with 25 Essex, L.P. The agreement provides for a development fee in the amount of \$1,200,000 for services in connection with the development of Rene Cazenave Apartments, with \$600,000 payable to CHP and \$600,000 payable to MCB Family Housing, Inc. As of June 30, 2016, developer fee payable to MCB Family Housing, Inc. was \$13,650 which is included in the amount due to related parties on the accompanying Consolidated Statement of Financial Position.

Pursuant to the development agreement for Arendt House, L.P., Tenderloin Neighborhood Development Corporation, a former general partner of the partnership, earned a specified percentage of the total developer fee of \$1,200,000. As of June 30, 2016 and 2015, the developer fee payable was \$850 and \$1,050, respectively, and is included in the amount due to related parties on the accompanying Consolidated Statements of Financial Position.

9. Developer fees

Pursuant to a memorandum of understanding, CHP and Strada Investment Group will execute a development agreement in order to serve as co-developers in connection with a future development located at the site of the Civic Center Hotel and the adjacent parcels. During 2016, CHP earned \$90,000 of developer fees for services performed during the predevelopment phase of the project, which were receivable as of June 30, 2016.

10. Marketable securities

Marketable securities consist of mutual funds that have been donated to CHP and are valued at quoted market prices. The balance of marketable securities at June 30, 2016 and 2015 was \$3,053 and \$1,443, respectively. For the year ended June 30, 2016, realized and unrealized gain from marketable securities was \$110. For the year ended June 30, 2015, realized and unrealized loss from marketable securities was \$14.

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

11. Notes payable

Notes payable are secured by the property unless otherwise noted and consist of the following:

	<u>2016</u>	<u>2015</u>
<b><u>CHP loans:</u></b>		
<b><u>Senator Hotel</u></b>		
On September 12, 2006, Senator Hotel obtained a loan from HCD's MHP program in the amount of \$4,294,690. The loan bears interest at a rate of 3% per annum. The loan requires an annual payment equal to 0.42% of the unpaid principal balance for the first 30 years. Thereafter until maturity in September 2061, principal and interest payments shall be determined by HCD based on their costs of monitoring the project. Additional payments are made to the extent of available cash flow. Accrued interest as of June 30, 2016 and 2015 was \$1,046,795 and \$935,991, respectively. Current interest expense during the years ended June 30, 2016 and 2015 was \$18,038, and is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2016 and 2015 was \$110,803.	\$4,294,690	\$4,294,690
Senator Hotel obtained a permanent loan from the Redevelopment Agency of the City and County of San Francisco. On March 11, 2003, the loan was amended to reflect a principal balance of \$907,037. The permanent loan bears interest at 8%. On September 15, 2006, an additional \$440,495 of indebtedness was added to the deed of trust. The additional amount represents accrued interest related to a prior construction loan and does not bear interest. Payments are to be made from net cash flow with any remaining principal and interest due at maturity on March 11, 2053. Accrued interest as of June 30, 2016 and 2015 was \$1,438,996 and \$1,312,183, respectively. Deferred interest expense during the years ended June 30, 2016 and 2015 was \$126,812.	1,347,532	1,347,532
<b><u>San Cristina Hotel</u></b>		
On February 11, 1992, San Cristina Hotel obtained a loan from HCD's California Housing Rehabilitation Program ("CHRP") in the amount of \$1,750,000. The loan bears simple interest at a rate of 3% per annum. No payments are due until maturity. The loan is due in February 2047, but can be deferred upon approval of the lender. Accrued interest at June 30, 2016 and 2015 was \$1,060,751 and \$1,008,251, respectively. Deferred interest expense during the years ended June 30, 2016 and 2015 was \$52,500 in each year.	1,750,000	1,750,000

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

11. Notes payable (continued)

San Cristina Hotel (continued)

On April 1, 1994, San Cristina Hotel obtained a loan from Citibank in the amount of \$1,175,000. The loan bears a variable rate of interest not to exceed 9.21% per annum (2.25% as of June 30, 2016 and 2015), payable in monthly installments and matures on May 1, 2024. Interest expense during the years ended June 30, 2016 and 2015 was \$10,818 and \$12,016, respectively, and is included in program services expense on the accompanying consolidated statements of activities.

452,073                      503,647

On January 25, 2012, San Cristina Hotel obtained an unsecured loan from Energy Update California - Bay Area Multifamily Program ("BAM"), with Enterprise Community Loan Fund, Inc. in the original amount of \$59,699 to construct retrofit improvements on the property. The loan bears 5% simple interest and matures on July 1, 2022. Interest expense during the years ended June 30, 2016 and 2015 was \$2,181 and \$2,375, respectively, and is included in program services expense on the accompanying consolidated statements of activities.

39,467                      44,909

Iroquois Hotel

On April 20, 1995, Iroquois Hotel obtained a loan from the City in the amount of \$1,500,000. The loan bears a 6% simple interest rate. Interest will be accrued, but no payments of interest or principal are due in the first 15 years of the term. Thereafter, payments of principal and interest are made to the extent of residual receipts. No payments of principal or interest were made for the years ended June 30, 2016 and 2015. Provided that no event of default occurs, any remaining obligation will be forgiven upon maturity on April 20, 2070. Accrued interest at June 30, 2016 and 2015 was \$1,905,000 and \$1,815,000, respectively. Deferred interest expense during the years ended June 30, 2016 and 2015 was \$90,000 in each year.

1,500,000                      1,500,000

On January 6, 2012, Iroquois Hotel obtained an unsecured loan from BAM, with Enterprise Community Loan Fund, Inc. in the original amount of \$53,774 to construct retrofit improvements on the property. The loan bears 5% simple interest and is due at maturity on July 1, 2022. Interest expense during the years ended June 30, 2016 and 2015 was \$1,964 and \$2,200, respectively, and is included in program services expense on the accompanying consolidated statements of activities.

35,550                      40,452



**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

11. Notes payable (continued)

Island Bay Homes

On July 26, 2000, Island Bay Homes obtained a loan from the City in the amount of \$997,409. The loan bears 2.33% simple interest through maturity on July 26, 2050. Payments of principal and interest are due to the extent of residual receipts. Accrued interest at June 30, 2016 and 2015 was \$396,023 and \$372,783, respectively. Deferred interest expense during the years ended June 30, 2016 and 2015 was \$23,240 in each year.

997,409                      997,409

**LIHTC partnerships and other companies:**

473 Ellis, L.P.

On March 16, 2012, in connection with the acquisition of the project, the partnership executed a loan agreement through HCD's CHRP program to assume the outstanding principal and accrued interest encumbering the project in the amounts of \$1,298,743 and \$816,696, respectively. The loan bears 3% simple interest, with annual payments equal to 0.42% of the unpaid principal amount. All principal and interest are due at maturity on August 30, 2067. Additional payments are made to the extent to available cash.

During 2015, the partnership discounted the debt assumed at acquisition, including principal, accrued interest, and future interest payments, to its present value as of the acquisition date, with a corresponding reduction in the basis of the acquired land and building by the amount of the discount. Accrued interest as of June 30, 2016 and 2015 was \$557,868 and \$527,571, respectively, net of discount of \$405,394 and \$402,292, respectively. Current interest expense for the years ended June 30, 2016 and 2015 was \$5,455, and is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2016 and 2015 was \$24,963 and \$17,848, respectively. The outstanding principal balance as of June 30, 2016 and 2015 was \$654,071 and \$659,003, respectively, net of discount of \$644,672 and \$639,740, respectively.

654,071                      659,003

On March 19, 2012, the partnership executed a loan agreement with the City, through its Housing Site Acquisition Program and CDBG Program, to assume the outstanding debt encumbering the project. Pursuant to the Amended and Restated Loan agreement, the loan amounts under the two programs were combined into a single loan in the amount of \$4,397,874 with an amended maturity date. The loan is payable without interest with all unpaid principal due at maturity on March 21, 2069.

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

11. Notes payable (continued)

473 Ellis, L.P. (continued)

During 2015, the partnership discounted the principal debt assumed at acquisition to its present value as of the acquisition date, with a corresponding reduction in the basis of the acquired land and building by the amount of the discount. Interest expense for the years ended June 30, 2016 and 2015 was \$17,220 and \$45,135, respectively. The outstanding principal balance as of June 30, 2016 and 2015 was \$2,219,761 and \$2,202,541, respectively, net of discount of \$2,020,873 and \$2,038,093, respectively.

2,219,761                      2,202,541

On June 18, 2014, Cambridge obtained an HCD MHP loan in the amount of \$4,826,617. The loan bears interest at 3% with annual interest payments equal to 0.42% of the outstanding principal balance for the first 30 years. Thereafter, payments are determined by HCD based on their costs of monitoring the project. Additional payments may be made to the extent of available cash. All unpaid principal and interest is otherwise due at maturity in June 2069. Accrued interest as of June 30, 2016 and 2015 was \$263,340 and \$128,385, respectively. Current interest expense for the years ended June 30, 2016 and 2015 was \$20,272 and \$10,811, respectively, and is included in program services expense on the accompanying statement of activities. Deferred interest expense during the years ended June 30, 2016 and 2015 was \$124,527 and \$151,452, respectively.

4,826,617                      4,826,617

CHP Ellis LLC

On March 1, 2012, CHP Ellis LLC obtained an interest free loan from Silicon Valley Bank through the Affordable Housing Program (“AHP”) in the amount of \$600,000. The loan is forgivable at the end of the retention period, as defined, on June 10, 2028, provided the project complies with certain provisions of the loan agreement. Otherwise the loan is due in full on June 1, 2069.

600,000                      600,000

650 Eddy, L.P.

On March 7, 2007, the partnership obtained a loan from MOH through the Affordable Housing Fund in the maximum amount of \$7,177,673. The loan bears no interest. Payments are to be made from residual receipts. Any unpaid principal is due at maturity in March 2062.

5,138,514                      5,138,514

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

11. Notes payable (continued)

650 Eddy, L.P. (continued)

On July 20, 2005, the partnership obtained a HOME loan from MOH in the original amount of \$855,463. The initial interest rate was 3% simple interest until 2006 when the loan was amended to bear no interest. As part of the amendment, the principal balance of the loan was increased to \$7,280,745. On January 19, 2007, principal debt in the amount of \$2,258,303 was forgiven when the land and associated debt were transferred to the City. All accrued interest was forgiven as well, except for \$29,658 which would remain payable. Payments are to be made from residual receipts with the entire principal and interest due on July 20, 2060. Accrued interest at June 30, 2016 and 2015 was \$29,658.

5,022,442                      5,022,442

On December 15, 2009, the partnership obtained a loan from HCD in the amount of \$6,091,709. The loan bears 3% simple interest with annual payments equal to 0.42% of the unpaid principal balance for the first 30 years. Thereafter, payments are determined by HCD based on their costs of monitoring the project. Additional payments are made to the extent of available cash. All principal and interest are due at maturity in February 2065. Accrued interest as of June 30, 2016 and 2015 was \$1,014,231 and \$857,066, respectively. Interest expense during the years ended June 30, 2016 and 2015 was \$25,586 and \$25,584, respectively, and is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2016 and 2015 was \$157,166 in each year.

6,091,709                      6,091,709

On March 9, 2007, the partnership obtained a loan from Citibank through the AHP program in the amount of \$581,000. The loan bears no interest. No payments are due until maturity in March 2064.

581,000                      581,000

Arendt House, L.P.

On January 11, 2012, Arendt House, L.P. obtained an HCD MHP loan in the amount of \$6,247,804. The loan bears 3% simple interest and requires annual payments equal to 0.42% of the unpaid principal balance. Additional payments are made to the extent of available cash. All principal and interest are due at maturity in January 2067. Accrued interest as of June 30, 2016 and 2015 was \$726,848 and \$565,655, respectively. Interest expense during the years ended June 30, 2016 and 2015 was \$26,241 and is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2016 and 2015 was \$161,193.

6,247,804                      6,247,804

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

11. Notes payable (continued)

Arendt House, L.P. (continued)

On September 24, 2008, Arendt House, L.P. obtained a loan from MOH through the AHF fund in the amount of \$2,720,940. The loan does not bear interest. Payments are to be made from residual receipts. Unpaid principal is due at maturity in September 2063.

1,878,866                      1,878,866

On December 14, 2007, Arendt House, L.P. obtained a loan from MOH through the HUD Neighborhood Initiative Grant Fund in the amount of \$962,240. The loan does not bear interest. Payments are to be made from residual receipts. Unpaid principal is due at maturity in December 2063.

962,240                              962,240

Hotel Essex, L.P.

On May 27, 2005, Hotel Essex, L.P. obtained a loan from MOH in the original amount of \$3,465,750, which was amended to \$5,106,483 on September 12, 2006. The loan was amended again on December 11, 2006 to a total of \$6,096,483. Interest at the simple rate of 3% shall accrue provided that residual receipts, as defined, are sufficient to pay the full amount of interest then due. Unpaid interest in any year shall not accrue. A portion of the loan equal to \$3,679,700 matures in May 2060 with the remaining amount due at maturity in December 2063.

4,670,017                              4,670,017

On October 15, 2008, Hotel Essex, L.P. obtained an HCD MHP loan in the amount of \$7,000,000. The loan bears 3% simple interest rate with annual payments equal to 0.42% of the unpaid principal balance for the first 30 years. Thereafter payments are determined by HCD based on their costs of monitoring the project. The entire principal and unpaid accrued interest is to be repaid in October 2063. Accrued interest as of June 30, 2016 and 2015 was \$1,387,463 and \$1,213,397, respectively. For the years ended June 30, 2016 and 2015 current interest expense was \$29,400 and is included in program services expense on the accompanying consolidated statements of activities. For the years ended June 30, 2016 and 2015 deferred interest expense was \$180,600.

7,000,000                              7,000,000

On February 28, 2007, Hotel Essex, L.P. obtained an AHP loan from Citibank in the amount of \$680,000. The loan does not bear interest. No payments are due until maturity in April 2062.

680,000                                      680,000

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

11. Notes payable (continued)

CHP Scott Street, L.P.

On December 6, 2013, CHP Scott Street, L.P. obtained a construction loan from Bank of America in the maximum principal amount of \$6,149,895. The loan accrued interest at a variable rate equal to the daily LIBOR rate plus 3.5%. All unpaid principal and interest was paid at maturity in February 2016. For the years ended June 30, 2016 and 2015, total interest expense was \$166,285 and \$232,019, respectively, of which \$0 and \$55,808, respectively, was capitalized to fixed assets.

- 5,929,060

In July and December of 2010, CHP Scott Street, LLC obtained predevelopment loans from MOH in the total amount of \$4,416,508. The loan was subsequently assigned to CHP Scott Street, L.P. A portion of the loan totaling \$4,016,508 is due the earlier of March 31, 2016 or the close of permanent financing. The remaining portion of the loan equal to \$400,000 is payable from residual receipts and is otherwise due at maturity on the date that is 55 years after the close of permanent financing. The stated interest rate of the loan is 0%. During 2015, the partnership discounted the permanent portion of the loan that was used to finance the acquisition of the project, resulting in a corresponding reduction in the basis of the land and building by the amount of the discount. Interest expense for the years ended June 30, 2016 and 2015 was \$2,327 and \$2,507, respectively. The outstanding principal balance as of June 30, 2016 and 2015 was \$65,137 and \$4,079,318, respectively, net of discount of \$334,863 and \$337,190, respectively.

65,137 4,079,318

In February 2016, CHP Scott Street, L.P. obtained an HCD MHP loan in the amount of \$3,944,116. The loan bears 3% simple interest rate with annual payments equal to 0.42% of the unpaid principal balance for the first 30 years. Thereafter payments are determined by HCD based on their costs of monitoring the project. The entire principal and unpaid accrued interest is to be repaid in February 2071. Accrued interest as of June 30, 2016 and 2015 was \$41,742 and \$0, respectively. For the years ended June 30, 2016 and 2015 current interest expense was \$6,122 and \$0, respectively, and is included in program services expense on the accompanying consolidated statements of activities. For the years ended June 30, 2016 and 2015 deferred interest expense was \$35,620 and \$0, respectively.

3,944,116 -

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

11. Notes payable (continued)

CHP Scott Street, LLC

On December 6, 2013, CHP Scott Street, LLC obtained a Federal Home Loan Bank (“FHLB”) AHP loan from Bank of America in the principal amount of \$250,000. The loan does not bear interest and no payments of principal are due until maturity. The loan is forgivable at the end of the retention period which shall be 15 years from the date of completion of construction as determined by FHLB, provided the project complies with the provisions of the loan agreement. Otherwise, the loan is due at maturity in November 2068.

250,000                      250,000

CHP Fulton Street, LLC

On January 5, 2010, CHP Fulton Street, LLC obtained an AHP loan from Silicon Valley Bank in the original amount of \$1,200,000. The loan does not bear interest and no principal payments are due until maturity. Subject to the terms of the loan agreement, the unpaid principal balance may be forgiven at the end of the retention period in September 2026; otherwise the loan is due at maturity in August 2066.

1,200,000                      1,200,000

365 Fulton, L.P.

On February 8, 2013, 365 Fulton, L.P. obtained an HCD MHP loan in the amount of \$8,907,928. The loan bears 3% simple interest rate with annual payments equal to 0.42% of the unpaid principal balance for the first 30 years. Thereafter, payments are determined by HCD based on their costs of monitoring the project. The entire principal and unpaid accrued interest is to be repaid in full in February 2068. Accrued interest at June 30, 2016 and 2015 was \$793,333 and \$565,921, respectively. Interest expense during the years ended June 30, 2016 and 2015 was \$33,847 and \$42,346, respectively, and is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2016 and 2015 was \$230,979 and \$230,567, respectively.

8,907,928                      8,907,928

On November 3, 2009, 365 Fulton, L.P. obtained a loan from the San Francisco Redevelopment Agency (succeeded by Office of Community Investment and Infrastructure) in the original amount of \$2,753,291. The loan bears 3% simple interest. Payments are made to from available cash flow. Unpaid interest and principal is payable at maturity in November 2066. Accrued interest as of June 30, 2016 and 2015 was \$406,302 and \$381,064, respectively. Deferred interest expense during the years ended June 30, 2016 and 2015 was \$25,238.

841,263                      841,263

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

11. Notes payable (continued)

365 Fulton, L.P. (continued)

365 Fulton, L.P. obtained a loan from CalHFA in the original amount of \$1,200,000. Principal payments are payable from residual receipts. The loan does not bear interest and is due at maturity in February 2065.

1,199,850                      1,199,850

666 Ellis, L.P.

On December 22, 2014, the partnership executed a loan with the City in the principal amount of \$660,640. In June 2015 the loan was amended to increase the maximum principal balance to \$1,296,753. The loan does not accrue interest. Payments are made to the extent of residual receipts. Any unpaid principal is due upon maturity on the 55<sup>th</sup> anniversary of the completion date, as defined (completion not achieved as of June 30, 2016).

1,296,752                      557,429

In November 2015, the partnership executed a construction loan with Bank of America in the maximum principal amount of \$19,897,000, secured by a first priority deed of trust on the project. The loan accrues interest at a variable rate equal to the sum of the LIBOR daily floating rate, as that term is defined, plus 1.5% (1.96% as of June 30, 2016). All principal and interest is due at maturity on May 1, 2018. For the year ended June 30, 2016 and 2015, interest expense was \$17,164 and \$0, all of which was capitalized to development in progress.

3,854,232                      -

In November 2015, the partnership executed a loan with the San Francisco Housing Authority (“SFHA”) in the principal amount of \$600,000, secured by a subordinate deed of trust. The loan does not accrue interest. Payments are made to the extent of residual receipts. Any unpaid principal is due upon maturity on the 55<sup>th</sup> anniversary of the loan disbursement date.

600,000                      -

In November 2015, the partnership executed a loan with SFHA in the principal amount of \$14,375,000, secured by a subordinate deed of trust. The loan accrues interest at a rate of 2.57%, compounded annually. Annual payment in the amount of \$15,000 shall be made, with additional payments to be made to the extent of residual receipts. Any unpaid principal is due upon maturity on the 55<sup>th</sup> anniversary of the loan disbursement date.

14,375,000                      -







**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

12. Line of credit

CHP has a line of credit with Wells Fargo Bank with maximum borrowings of \$1,000,000. As of June 30, 2016 and 2015, the outstanding balance was \$300,000 and \$0, respectively. Advances on the credit line carry a variable interest rate equal to the prime rate plus 0.75%, subject to a 4.00% floor (4.00% at June 30, 2016 and 2015). The credit line is secured by all property and assets of CHP and matures on July 15, 2017. Interest expense during the years ended June 30, 2016 and 2015 was \$9,591 and \$10,542, respectively, and is included in program services expense on the accompanying consolidated statements of activities.

13. Deferred income

Deferred income includes \$1,744,552 and \$1,628,778, net of accumulated amortization of \$224,426 and \$180,200, related to the 40% profit portion of CHP's development fees as of June 30, 2016 and 2015, respectively. For the years ended June 30, 2016 and 2015, amortization to offset the depreciation expense related to the fee capitalized as real property totaled \$44,226. The deferred income is amortized using the straight-line method over the estimated useful life of the underlying asset.

14. Temporarily restricted net assets

Temporarily restricted net assets consist of the following:

	June 30, 2015	Contributions	Released from Restrictions	June 30, 2016
Specific programs and time restrictions:				
Solutions SF	\$ -	\$ 120,000	\$ -	\$ 120,000
CHP Fifth Street, LLC	15,000	-	(15,000)	-
Other specific programs and time restrictions	206,440	347,939	(206,440)	347,939
	221,440	467,939	(221,440)	467,939
Recoverable contributions for the purchase and rehabilitation of:				
Senator Hotel	1,519,000	-	-	1,519,000
San Cristina Hotel	2,116,506	-	-	2,116,506
Iroquois Hotel	1,540,000	-	(40,000)	1,500,000
	5,175,506	-	-	5,135,506
Total temporarily restricted net assets	\$ 5,396,946	\$ 467,939	\$ (261,440)	\$ 5,603,445

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2016 and 2015

14. Temporarily restricted net assets (continued)

	June 30, 2014	Contributions	Released from Restrictions	June 30, 2015
Specific programs and time restrictions:				
Solutions SF	\$ 12,910	\$ -	\$ (12,910)	\$ -
CHP Fifth Street, LLC	42,827	15,000	(42,827)	15,000
Other specific programs and time restrictions	<u>247,500</u>	<u>206,440</u>	<u>(247,500)</u>	<u>206,440</u>
Subtotal	303,237	221,440	(303,237)	221,440
Recoverable contributions for the purchase and rehabilitation of:				
Senator Hotel	1,519,000	-	-	1,519,000
San Cristina Hotel	2,116,506	-	-	2,116,506
Iroquois Hotel	<u>2,265,000</u>	<u>-</u>	<u>(725,000)</u>	<u>1,540,000</u>
Subtotal	<u>5,900,506</u>	<u>-</u>	<u>-</u>	<u>5,175,506</u>
Total temporarily restricted net assets	<u>\$ 6,203,743</u>	<u>\$ 221,440</u>	<u>\$(1,028,237)</u>	<u>\$ 5,396,946</u>

15. Island Bay Homes

CHP subleases the Island Bay Homes property from the Treasure Island Development Authority (“TIDA”) (who leases it from the U.S. Department of Navy) for the purpose of overseeing the rehabilitation of the property to benefit eligible tenants. CHP is responsible for all costs related to the use of the premises, which consisted of 24 rental units as of June 30, 2007. On July 17, 2007, CHP took the leasehold possession of an additional 42 units on Treasure Island, which increased the Island Bay Homes unit count to 66 units at June 30, 2008. The first 23 tenants must qualify for Section 8 rental assistance, 8 tenants participate in the Shelter Plus Care Program, 33 tenants are subsidized through the LOSP program, and 2 units are reserved for site staff. The term of the sublease is from March 11, 2001 through August 31, 2014 with an extension of the lease terms thereafter on a month-to-month basis. There is no provision for the payment of rent in the sublease agreement. CHP has an option to purchase the property under the Base Closure Agreement with the Treasure Island Homeless Development Initiative (“TIHDI”), of which CHP is a member. The option allows CHP to obtain an equal number of comparable units on Treasure Island in the event that TIDA requires TIHDI to relinquish the housing to accommodate development of the parcel subleased by CHP.

CHP records no rent expense under this arrangement, and has estimated that there is no monetary value from this sublease.

CHP was awarded a LOSP grant which provides maximum funding of \$2,619,077 over a nine year term, commencing July 1, 2010. The nine-year grant subsidizes CHP’s operating cost and cash flow shortfalls from the Island Bay Homes project. The grant agreement provides for certain tenant eligibility and rent restriction requirements, among other matters.

## COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 and 2015

#### 16. CHP Villages lease

On July 1, 2014, CHP assumed a sublease from Rubicon Villages, Inc. for a 44-unit project located on Treasure Island (“CHP Villages”) for the purpose of renting each of the 44 units to low-income tenants. Under the sublease, CHP leases the project from TIDA (who leases it from the U.S. Department of Navy). There is no provision for payment of rent under the sublease. The sublease is a “triple net” lease, whereby CHP is responsible for paying all charges, costs, and expenses related to the operation of the project including repair and maintenance and common area maintenance expenses. The term of the sublease was from March 11, 2002 to August 31, 2014 with an extension of the lease terms thereafter on a month-to-month basis.

In connection with the assumption of the sublease from Rubicon Villages, Inc., CHP also assumed certain assets and liabilities of the project resulting in an increase to the consolidated net assets of \$1,319,941, which is reflected in the accompanying 2015 Consolidated Statement of Activities and Changes in Net Assets.

#### 17. 666 Ellis Ground Lease

The project owned by 666 Ellis, L.P. is built on land owned by SFHA. Pursuant to the terms of the lease executed November 1, 2015, 666 Ellis, L.P. leases the land from the City on a prepaid basis for a 99-year term. The lease was prepaid on the date of lease execution in the total amount of \$350,000. Under the terms of the lease, the land will revert to SFHA at the end of the lease. For the years ended June 30, 2016 and 2015, rent expense was \$2,000 and \$0, respectively. As of June 30, 2016 and 2015, the balance of prepaid rent was \$348,000 and \$0, respectively.

#### 18. Commitments and contingencies

In prior years, CHP received funding of \$1,175,000, \$2,116,506, and \$1,500,000 from MOH for the acquisition and rehabilitation of the Senator Hotel, the San Cristina Hotel, and the Iroquois Hotel, respectively. An additional \$400,000 was received from HUD and \$365,000 was received under the Affordable Housing Program for rehabilitation of the Iroquois Hotel, and \$344,000 was received under the AHP for the rehabilitation of the Senator Hotel. Terms of these grants stipulate that the funds are recoverable by the grantor in the event that certain specific covenants and restrictions of the awards are violated. These contributions have been included in temporarily restricted net assets and released in accordance with the terms of the respective grant agreements. During 2015, \$725,000 of temporarily restricted net assets were released, which represented Iroquois Hotel’s satisfaction of the restrictions related to the entire \$365,000 received under the AHP program and \$360,000 of the \$400,000 received from HUD. During 2016, CHP satisfied the final year of the 20-year compliance period related to the \$400,000 HUD grant, thereby releasing the remaining \$40,000 of that grant from temporarily restricted net assets. As of June 30, 2016, the aforementioned HUD and AHP grants in the amounts of \$400,000 and \$360,000, respectively, were represented in unrestricted net assets.

CHP leases its main office facility under a lease agreement which commenced April 2012 and expires ten years thereafter. The lease agreement provides for monthly base rent, plus a portion of the building’s direct operating expenses, as defined. Base rent for the first 12 month period of the lease is \$15,500 with annually increases thereafter, reaching \$19,234 per month in the final 12 month period. The agreement has an option to extend the lease term for an additional period of five years upon written notice of intent from the Organization.

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

18. Commitments and contingencies (continued)

CHP Fifth Street LLC leases the property operating as 5th Street Apartments from Vikas Hotel, LLC, a third party lessor. The lease commenced on October 12, 2013 and expires ten years thereafter on October 12, 2023, at which point the lease is available for extension. The lease is recorded as an operating lease. Lease payments for the first 12 months are equal to \$44,000 per month. During months 13 through 60, rent shall be increased annually at 101.5% of the prior year's monthly rent. During months 61 through 120, rent shall be increased annually at 102% of the prior year's monthly rent.

On November 2, 2015, CHP began leasing Civic Center Hotel from U.A. Local 38 Pension Trust Fund to lease its rentable space and develop an on-site Navigation Center to provide supportive services and help tenants transition to permanent housing. The lease has a three year term with a one-year option to renew. The lease is recorded as an operating lease. The lease stipulates payments on a monthly basis in an amount equal to \$34,000, subject to partial abatement during the first ten months of the lease for a total monthly payment of \$24,000.

Rene Cazenave Apartments is built on land owned by the City and County of San Francisco. Pursuant to the terms of the lease dated December 6, 2011, 25 Essex, L.P. leases the land from the City on a 75-year term with an option for a 24-year extension thereafter. The lease provides for accrual of annual base rent of \$1 for any year in which the partnership receives LOSP operating subsidy. Otherwise, in any year the partnership does not receive LOSP operating subsidy, base rent shall accrue in the amount of \$15,000, payable to the extent of residual receipts. Additionally, residual rent of up to \$737,000 per year shall accrue, but only in the event and to the extent there are residual receipts available for such payment. Under the terms of the lease, the land will revert to the City at the end of the lease. As of June 30, 2016 and 2015, total rent payable to the City was \$6 and \$0, which represents annual accruals of base rent since the inception of the lease.

Minimum annual rents required for the next five years are as follows:

Year Ending June 30,	
2017	\$ 1,135,672
2018	1,178,962
2019	922,603
2020	803,276
2021	820,309
Thereafter	<u>1,470,167</u>
Total	<u>\$ 6,330,989</u>

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2016 and 2015

18. Commitments and contingencies (continued)

CHP has provided loan and operating deficit guarantees as well as guarantees with regard to tax benefits projected for its affiliates. CHP does not require any collateral or other security from its affiliates and projects related to these guarantees. Management believes that the likelihood of funding a material amount of any of the guarantees is remote. Summaries of these guarantees as of June 30, 2016 are shown below, and are subject to change in accordance with the respective partnership agreements.

<u>Project</u>	<u>Operating Deficit Guarantee</u>	
	<u>Maximum Amount</u>	<u>Expiration</u>
Arendt House, L.P.	\$ 331,070	(1)
Essex Hotel, LP	500,000	(2)
650 Eddy, LP	600,000	(3)
365 Fulton, L.P.	500,000	(4)
473 Ellis, LP	200,000	(5)
CHP Scott Street, L.P.	206,000	(6)
25 Essex, L.P.	701,900	(7)
666 Ellis, L.P.	677,142	(8)
Total	<u>\$ 3,716,112</u>	

<u>Project</u>	<u>Tax Benefit Indemnifications<sup>(9)</sup></u>	
	<u>Projected Benefit</u>	<u>Expiration</u>
Arendt House, L.P.	\$ 2,349,983	2024
Essex Hotel, LP	2,389,070	2022
650 Eddy, LP	4,915,514	2023
365 Fulton, L.P.	15,911,791	2027
473 Ellis, LP	7,146,761	2028
CHP Scott Street, L.P.	7,354,130	2030
25 Essex, L.P.	20,962,000	2029
666 Ellis, L.P.	861,231	2032
Total	<u>\$ 61,890,480</u>	

(1) The obligation shall terminate on the later of (i) the tenth anniversary of the date of achievement of breakeven operations, (ii) the fifth anniversary of the closing of or conversion to the permanent loan, or (iii) the date upon which the partnership achieves five consecutive calendar years during which there is an expense coverage ratio of 1.15 or better for each year the operating reserve is fully funded.

(2) The obligation shall terminate on the date that the following have occurred simultaneously: (i) the project has operated at break-even for at least three calendar years following stabilization, as defined; and (ii) the balance in the operating reserve equals or exceeds \$190,954.

(3) The guarantee shall only apply during any period in which the project is not fully subsidized under the LOSP. If the project maintains a 1.15 service coverage ratio for twelve consecutive months, the operating deficit loan limit shall be reduced by one-third per year beginning with the first fiscal year in which a 1.15 debt service coverage ratio is achieved. This reduction in the operating deficit loan limit will be suspended in any fiscal year that a 1.15 debt service coverage ratio is not achieved and shall resume only once a 1.15 debt service coverage ratio has been fully restored for a subsequent fiscal year.

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2016 and 2015

18. Commitments and contingencies (continued)

<sup>(4)</sup> The obligation shall terminate on December 31 of the fifth year after the date of the stabilization capital contribution, as defined, provided that the following conditions are satisfied (a) during the five year period the general partner has not been obligated to make any operating deficit loans and the partnership has not drawn on any reserves established for operating deficits, (b) the amount on deposit in the partnership's operating reserve is not less than the operating reserve minimum, as defined, (c) the partnership is current on its required reserve payments, operating expenses, mandatory debt service, and payments for any necessary maintenance or capital improvements, (d) the Supportive Services Agreement is in full force and effect, and (e) the LOSP and MHSA subsidies are in place and being fully funded in accordance with their respective terms.

<sup>(5)</sup> The obligation to fund operating deficits during the operating deficit guarantee period, which shall begin on the date of the stabilization capital contribution and shall continue until the close of business on the December 31 (i) that is at least five years thereafter, and (ii) on which all the applicable conditions are met as stated in the partnership agreement. The advance will be payable without interest from excess/distributable cash.

<sup>(6)</sup> The obligation to make operating deficit contributions shall terminate on the date that the following have occurred simultaneously: (i) the project has operated at the required expense coverage, as defined, for a period of at least two consecutive years, which two year period shall have commenced no earlier than three years after the later to occur of the achievement of the stabilization date or loan conversion, as defined; and (ii) the balance in the operating reserve equals or exceeds the required amount.

<sup>(7)</sup> The obligation to fund the operating deficit shall be unlimited through the stabilization date, as defined, after which the obligation shall be limited to \$701,900. The obligation to fund operating deficits shall terminate on the date that the following have occurred simultaneously: (i) the project has operated at break-even, as defined, for two consecutive years, which two year period shall have commenced no earlier than one year after the achievement of the stabilization date; and (ii) the partnership's operating reserve equals or exceeds the required minimum balance.

<sup>(8)</sup> The obligation to fund the operating deficit shall terminate on the third anniversary of the later to occur of (i) the development obligation date, as defined, or (ii) achievement of a 1.15 to 1.00 debt service coverage ratio average over a period of three consecutive calendar months commencing after final closing, as defined. Notwithstanding the foregoing, the obligation to fund operating deficits shall not terminate unless and until (x) the partnership's operating reserve shall have been replenished to at least \$325,020, (y) the average debt service coverage ratio for the three month period prior to the date of termination must be at least 1.15 to 1.00, and (z) each of the HAP contract and the RAD HAP contract shall be in full force and effect. Prior to the development obligation date, payments furnished to the partnership shall be considered special capital contributions by CHP as the general partner, and after the development obligation date, the payments to the partnership shall be considered loans, with the maximum loan amount to be no greater than \$677,142.

<sup>(9)</sup> CHP has made guarantees to deliver tax benefits at certain amounts, or purchase the limited partner interest at a price equal to the respective contributions of the limited partners of the partnerships in accordance with the respective partnership agreements. In general, CHP's obligation with respect to these guarantees decreases over time as benefits are delivered to the limited partners.

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

18. Commitments and contingencies (continued)

CHP has options to purchase the projects in the table above, subject to the terms specified in the respective partnership agreements.

19. Retirement plan

CHP established a 403(b) retirement plan effective July 25, 2003, covering employees of CHP and its affiliates. Employees are not required to contribute to the plan and are immediately vested in their own savings accounts. The plan does not include employer matching contributions.

20. Union collective bargaining agreement

CHP entered into a three-year collective bargaining agreement (“CBA”) with Service Employees International Union, Local 1021 (“SEIU”). The agreement became effective on June 30, 2012 and is required to remain in full force up to and including June 30, 2015. On June 30, 2015, CHP executed an updated CBA with SEIU, which is effective from July 1, 2015 up to and including June 30, 2019. Approximately 52% of the labor force at CHP is covered by the collective bargaining agreement.



## **SUPPLEMENTARY INFORMATION**

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**CONSOLIDATED SCHEDULE OF FINANCIAL POSITION - COMMUNITY HOUSING PARTNERSHIP ONLY**  
**JUNE 30, 2016**

	General	Solutions SF	Senator Hotel	San Cristina Hotel	Iroquois Hotel	Island Bay Homes	5th Street Apartments	Total Community Housing Partnership
<b>ASSETS</b>								
Current assets								
Cash and cash equivalents	\$ -	\$ 81,785	\$ 345,642	\$ -	\$ 25,562	\$ 26,919	\$ -	\$ 479,908
Receivables								
Government grants	962,865	-	-	-	-	-	115,346	1,078,211
Other grants	148,034	-	-	-	-	-	-	148,034
Contract services	-	164,434	-	-	-	-	-	164,434
Related parties - current portion	1,299,660	25,474	-	1,600	-	-	25,000	1,351,734
Developer fee receivable	90,000	-	-	-	-	-	-	90,000
Rent, subsidy, and others	-	-	410,543	58,034	28,743	47,994	57,600	602,914
Prepaid expenses and deposits	104,588	11,090	4,533	4,063	2,940	2,511	3,830	133,555
Total current assets	<u>2,605,147</u>	<u>282,783</u>	<u>760,718</u>	<u>63,697</u>	<u>57,245</u>	<u>77,424</u>	<u>201,776</u>	<u>4,048,790</u>
Notes receivables								
Related parties - net of current portion	484,269	-	-	-	-	-	-	484,269
Restricted deposits								
Replacement, operating and other reserves	906,642	-	535,381	536,864	160,281	315,683	32	2,454,883
Tenant security deposits	-	-	19,098	28,607	15,037	21,670	8,068	92,480
Development in progress	1,020	-	607,900	-	-	-	-	608,920
Fixed assets - net	213,202	-	5,167,419	3,891,992	4,000,481	1,540,731	151,279	14,965,104
Investment in other companies	4,098,536	-	-	-	-	-	-	4,098,536
Marketable securities	3,053	-	-	-	-	-	-	3,053
Total other assets	<u>5,706,722</u>	<u>-</u>	<u>6,329,798</u>	<u>4,457,463</u>	<u>4,175,799</u>	<u>1,878,084</u>	<u>159,379</u>	<u>22,707,245</u>
Total assets	<u>\$ 8,311,869</u>	<u>\$ 282,783</u>	<u>\$ 7,090,516</u>	<u>\$ 4,521,160</u>	<u>\$ 4,233,044</u>	<u>\$ 1,955,508</u>	<u>\$ 361,155</u>	<u>\$ 26,756,035</u>
<b>LIABILITIES</b>								
Current liabilities								
Accounts payable and accrued expenses	\$ 883,869	\$ 1,893	\$ 59,366	\$ 22,883	\$ 16,023	\$ 69,179	24,141	\$ 1,077,354
Related-party payable	262,842	185,461	23,771	162,934	35,087	47,637	171,968	889,700
Line of credit	300,000	-	-	-	-	-	-	300,000
Interest payable - current portion	-	-	18,038	-	-	-	-	18,038
Notes payable - current portion	-	-	-	57,129	5,170	-	-	62,299
Total current liabilities	<u>1,446,711</u>	<u>187,354</u>	<u>101,175</u>	<u>242,946</u>	<u>56,280</u>	<u>116,816</u>	<u>196,109</u>	<u>2,347,391</u>
Tenant security deposits	-	-	15,768	28,228	14,377	21,204	7,879	87,456
Deferred income	-	10,519	-	-	-	208,549	-	219,068
Interest payable - net of current portion	-	-	2,467,753	1,060,751	1,905,000	396,023	-	5,829,527
Notes payable - net of current portion	250,000	-	5,642,222	2,184,411	1,530,380	997,409	-	10,604,422
Total non-current liabilities	<u>250,000</u>	<u>10,519</u>	<u>8,125,743</u>	<u>3,273,390</u>	<u>3,449,757</u>	<u>1,623,185</u>	<u>7,879</u>	<u>16,740,473</u>
Total liabilities	<u>1,696,711</u>	<u>197,873</u>	<u>8,226,918</u>	<u>3,516,336</u>	<u>3,506,037</u>	<u>1,740,001</u>	<u>203,988</u>	<u>19,087,864</u>
Net assets								
Unrestricted	6,267,219	(35,090)	(2,655,402)	(1,111,682)	(772,993)	215,507	157,167	2,064,726
Temporarily restricted	347,939	120,000	1,519,000	2,116,506	1,500,000	-	-	5,603,445
Total net assets	<u>6,615,158</u>	<u>84,910</u>	<u>(1,136,402)</u>	<u>1,004,824</u>	<u>727,007</u>	<u>215,507</u>	<u>157,167</u>	<u>7,668,171</u>
Total liabilities and net assets	<u>\$ 8,311,869</u>	<u>\$ 282,783</u>	<u>\$ 7,090,516</u>	<u>\$ 4,521,160</u>	<u>\$ 4,233,044</u>	<u>\$ 1,955,508</u>	<u>\$ 361,155</u>	<u>\$ 26,756,035</u>

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**CONSOLIDATED SCHEDULE OF FINANCIAL POSITION - COMMUNITY HOUSING PARTNERSHIP ONLY**  
**JUNE 30, 2015**

	General	Solutions SF	Senator Hotel	San Cristina Hotel	Iroquois Hotel	Island Bay Homes	5th Street Apartments	Total Community Housing Partnership
<b>ASSETS</b>								
<b>Current assets</b>								
Cash and cash equivalents	\$ 111,882	\$ 109,146	\$ 65,212	\$ 14,818	\$ -	\$ 119,659	\$ -	\$ 420,717
Receivables								
Government grants	433,774	-	-	-	-	-	42,599	476,373
Contract services	-	120,120	-	-	-	-	-	120,120
Related parties - current portion	561,326	9,623	-	-	-	-	-	570,949
Rent, subsidy, and others	-	-	12,658	13,557	38,040	173,012	55,004	292,271
Prepaid expenses and deposits	110,226	15,499	5,267	4,501	4,738	9,593	4,447	154,271
<b>Total current assets</b>	<b>1,217,208</b>	<b>254,388</b>	<b>83,137</b>	<b>32,876</b>	<b>42,778</b>	<b>302,264</b>	<b>102,050</b>	<b>2,034,701</b>
Notes receivables								
Related parties - net of current portion	1,473,727	-	-	-	-	-	66,963	1,540,690
Restricted deposits								
Replacement, operating and other reserves	954,096	-	520,703	544,807	195,145	16,903	306	2,231,960
Tenant security deposits	-	-	19,088	28,590	14,002	21,353	3,344	86,377
Development in progress	1,020	-	4,120	-	-	1,080	-	6,220
Fixed assets - net	280,997	-	5,811,274	4,021,711	4,090,083	1,530,318	201,706	15,936,089
Investment in other companies	2,562,431	-	-	-	-	-	-	2,562,431
Marketable securities	1,443	-	-	-	-	-	-	1,443
<b>Total other assets</b>	<b>5,273,714</b>	<b>-</b>	<b>6,355,185</b>	<b>4,595,108</b>	<b>4,299,230</b>	<b>1,569,654</b>	<b>272,319</b>	<b>22,365,210</b>
<b>Total assets</b>	<b>\$ 6,490,922</b>	<b>\$ 254,388</b>	<b>\$ 6,438,322</b>	<b>\$ 4,627,984</b>	<b>\$ 4,342,008</b>	<b>\$ 1,871,918</b>	<b>\$ 374,369</b>	<b>\$ 24,399,911</b>
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Accounts payable and accrued expenses	\$ 929,206	\$ 4,362	\$ 23,858	\$ 26,216	\$ 26,149	\$ 46,067	30,105	\$ 1,085,963
Interest payable - current portion	-	-	18,038	-	-	-	-	18,038
Notes payable - current portion	-	-	-	55,208	4,918	-	-	60,126
<b>Total current liabilities</b>	<b>929,206</b>	<b>4,362</b>	<b>41,896</b>	<b>81,424</b>	<b>31,067</b>	<b>46,067</b>	<b>30,105</b>	<b>1,164,127</b>
Tenant security deposits	-	-	17,540	28,300	15,030	21,659	7,044	89,573
Related-party payable	136,157	196,589	24,824	58,094	35,406	36,700	98,474	586,244
Deferred income	-	8,037	11,692	-	-	-	-	19,729
Interest payable - net of current portion	-	-	2,230,136	1,008,251	1,815,000	372,783	-	5,426,170
Notes payable - net of current portion	225,000	-	5,642,222	2,243,348	1,535,534	997,409	-	10,643,513
<b>Total non-current liabilities</b>	<b>361,157</b>	<b>204,626</b>	<b>7,926,414</b>	<b>3,337,993</b>	<b>3,400,970</b>	<b>1,428,551</b>	<b>105,518</b>	<b>16,765,229</b>
<b>Total liabilities</b>	<b>1,290,363</b>	<b>208,988</b>	<b>7,968,310</b>	<b>3,419,417</b>	<b>3,432,037</b>	<b>1,474,618</b>	<b>135,623</b>	<b>17,929,356</b>
<b>Net assets</b>								
Unrestricted	4,994,119	45,400	(3,048,988)	(907,939)	(630,029)	397,300	223,746	1,073,609
Temporarily restricted	206,440	-	1,519,000	2,116,506	1,540,000	-	15,000	5,396,946
<b>Total net assets</b>	<b>5,200,559</b>	<b>45,400</b>	<b>(1,529,988)</b>	<b>1,208,567</b>	<b>909,971</b>	<b>397,300</b>	<b>238,746</b>	<b>6,470,555</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,490,922</b>	<b>\$ 254,388</b>	<b>\$ 6,438,322</b>	<b>\$ 4,627,984</b>	<b>\$ 4,342,008</b>	<b>\$ 1,871,918</b>	<b>\$ 374,369</b>	<b>\$ 24,399,911</b>

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**CONSOLIDATED SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS - COMMUNITY HOUSING PARTNERSHIP ONLY**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General	Solutions SF	Senator Hotel	San Cristina Hotel	Iroquois Hotel	Island Bay Homes	5th Street Apartments	Total Community Housing Partnership
<b>Change in unrestricted net assets</b>								
<b>Revenue and other support</b>								
Government grants	\$ 4,277,255	\$ 228,340	\$ -	\$ -	\$ -	\$ -	\$ 1,125,614	\$ 5,631,209
Contributions - unrestricted	1,529,439	40,610	-	-	-	-	-	1,570,049
Contributions - restricted	347,939	120,000	-	-	-	-	-	467,939
In-kind contributions	80,260	-	-	-	-	-	-	80,260
Contract service income	2,345	1,809,963	-	-	-	-	-	1,812,308
Rent and subsidy income - net	-	-	1,041,192	780,402	885,473	959,649	71,952	3,738,668
Local Operating Subsidy Program grant	-	-	-	-	-	319,333	-	319,333
Developer fees	550,000	-	-	-	-	-	-	550,000
Related party fees	2,387,789	385,121	-	19,200	-	-	-	2,792,110
Loss from investments in other companies	1,511,105	-	-	-	-	-	-	1,511,105
Interest and other income	44,646	-	469	925	7,956	9,208	7,627	70,831
Investment income	110	-	-	-	-	-	-	110
<b>Total revenue and other support</b>	<b>10,730,888</b>	<b>2,584,034</b>	<b>1,041,661</b>	<b>800,527</b>	<b>893,429</b>	<b>1,288,190</b>	<b>1,205,193</b>	<b>18,543,922</b>
<b>Expenses</b>								
Program services	4,719,031	2,544,524	1,025,386	813,350	875,285	1,352,480	1,236,346	12,566,402
Management and general	4,115,527	-	-	-	-	-	-	4,115,527
Fundraising	413,936	-	-	-	-	-	-	413,936
<b>Total expenses before deferred interest, depreciation and amortization</b>	<b>9,248,494</b>	<b>2,544,524</b>	<b>1,025,386</b>	<b>813,350</b>	<b>875,285</b>	<b>1,352,480</b>	<b>1,236,346</b>	<b>17,095,865</b>
<b>Change in net assets before deferred interest depreciation and amortization, and gain on involuntary conversion</b>	<b>1,482,394</b>	<b>39,510</b>	<b>16,275</b>	<b>(12,823)</b>	<b>18,144</b>	<b>(64,290)</b>	<b>(31,153)</b>	<b>1,448,057</b>
Deferred interest	-	-	237,615	52,500	90,000	23,240	-	403,355
Depreciation and amortization	67,795	-	252,232	138,420	111,108	94,263	50,426	714,244
<b>Total deferred interest, depreciation and amortization</b>	<b>67,795</b>	<b>-</b>	<b>489,847</b>	<b>190,920</b>	<b>201,108</b>	<b>117,503</b>	<b>50,426</b>	<b>1,117,599</b>
Gain on involuntary conversion	-	-	867,158	-	-	-	-	867,158
<b>Change in net assets</b>	<b>1,414,599</b>	<b>39,510</b>	<b>393,586</b>	<b>(203,743)</b>	<b>(182,964)</b>	<b>(181,793)</b>	<b>(81,579)</b>	<b>1,197,616</b>
<b>Net assets, beginning of year</b>	<b>5,200,559</b>	<b>45,400</b>	<b>(1,529,988)</b>	<b>1,208,567</b>	<b>909,971</b>	<b>397,300</b>	<b>238,746</b>	<b>6,470,555</b>
<b>Net assets, end of year</b>	<b>\$ 6,615,158</b>	<b>\$ 84,910</b>	<b>\$ (1,136,402)</b>	<b>\$ 1,004,824</b>	<b>\$ 727,007</b>	<b>\$ 215,507</b>	<b>\$ 157,167</b>	<b>\$ 7,668,171</b>

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**CONSOLIDATED SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS - COMMUNITY HOUSING PARTNERSHIP ONLY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General	Solutions SF	Senator Hotel	San Cristina Hotel	Iroquois Hotel	Island Bay Homes	5th Street Apartments	Total Community Housing Partnership
Change in unrestricted net assets								
Revenue and other support								
Government grants	\$ 3,754,550	\$ 212,152	\$ -	\$ -	\$ -	\$ -	\$ 1,124,424	\$ 5,091,126
Contributions - unrestricted	905,650	-	-	-	-	-	20,389	926,039
Contributions - restricted	206,440	-	-	-	-	-	15,000	221,440
In-kind contributions	181,739	-	-	-	-	-	4,037	185,776
Contract service income	-	1,380,524	-	-	-	-	-	1,380,524
Rent and subsidy income - net	-	-	976,477	740,225	834,386	899,347	69,336	3,519,771
Local Operating Subsidy Program grant	-	-	-	-	-	365,135	-	365,135
Developer fees	1,024,595	-	-	-	-	-	-	1,024,595
Related party fees	1,922,924	322,756	-	19,200	-	-	-	2,264,880
Loss from investment in other companies	11,589	-	-	-	-	-	-	11,589
Interest and other income	117,484	-	2,489	406,145	3,262	78,469	3,253	611,102
Investment loss	(14)	-	-	-	-	-	-	(14)
Total revenue and other support	8,124,957	1,915,432	978,966	1,165,570	837,648	1,342,951	1,236,439	15,601,963
Expenses								
Program services	4,721,427	1,947,064	1,157,259	884,263	880,790	1,305,077	1,210,040	12,105,920
Management and general	3,119,394	-	-	-	-	-	-	3,119,394
Fundraising	370,467	-	-	-	-	-	-	370,467
Total expenses before deferred interest, depreciation and amortization	8,211,288	1,947,064	1,157,259	884,263	880,790	1,305,077	1,210,040	15,595,781
Change in unrestricted net assets before deferred interest, depreciation and amortization,	(86,331)	(31,632)	(178,293)	281,307	(43,142)	37,874	26,399	6,182
Deferred interest	-	-	237,615	52,500	90,000	23,240	-	403,355
Depreciation and amortization	55,925	-	249,219	132,539	132,562	144,753	50,426	765,424
Total deferred interest, depreciation and amortization	55,925	-	486,834	185,039	222,562	167,993	50,426	1,168,779
Change in net assets	(142,256)	(31,632)	(665,127)	96,268	(265,704)	(130,119)	(24,027)	(1,162,597)
Net assets, beginning of year	5,342,815	77,032	(864,861)	1,112,299	1,175,675	527,419	262,773	7,633,152
Net assets, end of year	\$ 5,200,559	\$ 45,400	\$ (1,529,988)	\$ 1,208,567	\$ 909,971	\$ 397,300	\$ 238,746	\$ 6,470,555

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**SCHEDULES OF RELATED-PARTY RECEIVABLES**  
**COMMUNITY HOUSING PARTNERSHIP ONLY**  
**JUNE 30, 2016 and 2015**

Related-party receivables as of June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Developer fees		
Deferred	\$ 484,269	\$ 526,076
Non-deferred	70,281	561,326
Operating advances	<u>1,281,453</u>	<u>1,024,237</u>
 Total	 1,836,003	 2,111,639
Less: current portion	(1,351,734)	(570,949)
Long-term portion	<u>\$ 484,269</u>	<u>\$ 1,540,690</u>

see report of independent auditors

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor / Pass-Through Grantor / Program Title:</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:		
Community Development Block Grant Program:		
Pass-through awards:		
City and County of San Francisco, Mayor's Office of Housing, San Cristina Hotel	14.218	\$ 2,116,506
City and County of San Francisco, Housing Administrations And Technical Assistance Grant	14.218	50,603
City and County of San Francisco, Workforce Development Grant	14.218	<u>75,000</u>
		2,242,109
Community Development Block Grant Program – Special Purpose Grant:		
Pass-through awards:		
City and County of San Francisco, Mayor's Office of Housing, Iroquois Hotel	14.254	1,500,000
Section 8 Program:		
Pass-through awards:		
San Francisco Housing Authority:		
Section 8 Housing Choice Vouchers – Island Bay	14.871	491,841
Section 8 Housing Choice Vouchers – CHP Villages	14.871	<u>742,517</u>
		1,234,358
Section 8 Project Based Cluster:		
Pass-through awards:		
San Francisco Housing Authority:		
Section 8 Moderate Rehabilitation – Lower Income Housing Assistance – Iroquois and Senator	14.856	1,426,861
Section 8 Moderate Rehabilitation – Single Room Occupancy – San Cristina	14.249	<u>521,070</u>
		1,947,931
Shelter Plus Care Program:		
Pass-through awards:		
City and County of San Francisco, Human Services Agency:		
Island Bay Homes – Project Based Rental Assistance	14.238	180,948

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor / Pass-Through Grantor / Program Title:	Federal CFDA No.	Federal Expenditures
Supportive Housing Program:		
Pass-through awards:		
City and County of San Francisco, Department of Human Services:		
Homeless Employment Collaborative (HEC)	14.235	\$ 68,684
Supportive Housing Employment Collaborative (SHEC)	14.235	279,799
Direct awards:		
Supportive Housing Program – Iroquois Capital Improvements	14.235	400,000
		748,483
Continuum of Care Program:		
Pass-through awards:		
City and County of San Francisco, Department of Human Services:		
Integrated Services Network (ISN) – Tenant Services	14.267	137,030
ISN – Job Training Program	14.267	151,411
Direct awards:		
Continuum of Care Program – 5 <sup>th</sup> Street	14.267	662,567
Continuum of Care Program – Iroquois	14.267	152,093
		1,103,101
Total U.S. Department of Housing and Urban Development		8,956,930
Corporation for National and Community Service:		
Pass-through awards:		
REDF:		
Social Innovation Fund	94.019	228,339
Department of Health and Human Services:		
Pass-through awards:		
City and County of San Francisco, Human Services Agency:		
Medical Assistance Program	93.778	995,356
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 10,180,625



**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the expenditures of the Organization under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the basic consolidated financial statements.

For purposes of the Schedule, federal awards include all sub awards to the Organization by nonfederal organizations pursuant to federal grants, contracts and similar agreements.

The Organization did not elect to use the 10% de minimus indirect cost rate in the Schedule.

Summary of significant accounting policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowed. Catalogue of Federal Domestic Assistance numbers (“CFDA No.”) are provided when available.

Grants outstanding

The Organization had the following repayable grant balances outstanding as of June 30, 2016. Such grants require continuing compliance and will be repayable only if demanded by the grantor in the event of non-compliance. These balances are included in the Schedule.

<u>Program Title</u>	Federal CFDA Number	Amount Outstanding
Supportive Housing Program – Iroquois	14.235	400,000
Community Development Block Grant – San Cristina	14.218	2,116,506

Loans

The Organization had the following loan outstanding as of June 30, 2016. This loan requires continuing compliance, and this balance is included in the Schedule.

<u>Program Title</u>	Federal CFDA Number	Amount Outstanding
Community Development Block Grant – Special Purpose Grant	14.254	1,500,000



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

To the Board of Directors of  
Community Housing Partnership and Affiliates:

We have audited, in accordance with the 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 Community Housing Partnership and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 15, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 for 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 the Organization's consolidated financial statements are free from 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 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.

*Novogradac & Company LLP*

Walnut Creek, California  
February 15, 2017



Independent Auditors' Report on Compliance for Each Major Program and on  
Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of  
Community Housing Partnership and Affiliates:

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Community Housing Partnership, a California nonprofit corporation, and affiliates (the "Organization"), with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2016. The Organization's major federal programs are identified in the summary of auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Organization's 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 the Organization's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## **Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 Uniform Guidance, 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 the Organization's 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 over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Purpose of This Report***

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Novogradac & Company LLP*

Walnut Creek, California  
February 15, 2017

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditor’s report issued:	Unmodified	
Internal control over financial reporting:		
	Yes	No
Material weakness(es) identified?	_____	_____X_____
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	_____X_____
Audit findings required to be reported in accordance with 2 CFR section 200.516(a)?	_____	_____X_____

Federal Awards

Internal control over major programs:		
	Yes	No
Material weakness(es) identified?	_____	_____X_____
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	_____X_____

Type of auditor’s report issued on compliance for major programs:	Unmodified	
	Yes	No
Noncompliance material to financial statements noted?	_____	_____X_____

Identification of major programs:	<u>Name of Federal Program or Cluster</u>
14.249 / 14.856	Section 8 Cluster
93.778	Medicaid
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000

Auditee qualified as low-risk auditee?	Yes	No
	_____X_____	_____

**COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Section II – Financial Statement Findings**

None noted.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.