

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
with
Report of Independent Auditors
For the Years Ended June 30, 2018 and 2017

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

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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, 2018 and 2017, 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, 2018 and 2017, 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 43 to 49 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 January 29, 2019, 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
January 29, 2019

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2018

	<i>CHP Program Services</i>	<i>CHP Property Operations</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,454,891	\$ 2,583,333	\$ 4,038,224	\$ -	\$ 4,038,224
Receivables					
Government grants	642,570	-	642,570	-	642,570
Other grants and contributions	61,000	-	61,000	-	61,000
Contract services	372,954	-	372,954	-	372,954
Related parties - current portion	2,928,345	412,961	3,341,306	(3,341,306)	-
Developer fee receivable	1,795,281	-	1,795,281	(1,720,281)	75,000
Rent, subsidy, and others	8,250	3,346,937	3,355,187	-	3,355,187
Prepaid expenses and deposits	113,072	2,451,778	2,564,850	-	2,564,850
Marketable securities	5,269	-	5,269	-	5,269
Total current assets	<u>7,381,632</u>	<u>8,795,009</u>	<u>16,176,641</u>	<u>(5,061,587)</u>	<u>11,115,054</u>
Related party receivable - net of current portion	2,455,000	2,426,000	4,881,000	(4,881,000)	-
Developer fee receivable - net of current portion	434,269	-	434,269	(434,269)	-
Restricted deposits					
Replacement, operating and other reserves	436,573	12,402,357	12,838,930	-	12,838,930
Tenant security deposits	8,072	294,384	302,456	-	302,456
Development-in-progress	129,506	22,163,051	22,292,557	-	22,292,557
Fixed assets - net	1,177,920	196,601,218	197,779,138	-	197,779,138
Deferred costs - net	-	265,719	265,719	-	265,719
Investment in other companies	4,805,364	2,756,343	7,561,707	(7,556,707)	5,000
Total non-current assets	<u>9,446,704</u>	<u>236,909,072</u>	<u>246,355,776</u>	<u>(12,871,976)</u>	<u>233,483,800</u>
Total assets	<u>\$ 16,828,336</u>	<u>\$ 245,704,081</u>	<u>\$ 262,532,417</u>	<u>\$ (17,933,563)</u>	<u>\$ 244,598,854</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable and accrued expenses	\$ 1,685,115	\$ 934,675	\$ 2,619,790	\$ (47,818)	\$ 2,571,972
Development costs payable	-	2,169,679	2,169,679	-	2,169,679
Related parties - current portion	1,421,834	3,356,435	4,778,269	(4,763,769)	14,500
Line of credit	502,000	-	502,000	-	502,000
Interest payable - current portion	-	339,111	339,111	-	339,111
Notes payable, net - current portion	250,000	27,133,506	27,383,506	(250,000)	27,133,506
Total current liabilities	<u>3,858,949</u>	<u>33,933,406</u>	<u>37,792,355</u>	<u>(5,061,587)</u>	<u>32,730,768</u>
Tenant security deposits	6,838	316,820	323,658	-	323,658
Deferred income	8,746	1,216,036	1,224,782	2,826,600	4,051,382
Related parties - net of current portion	-	434,269	434,269	(434,269)	-
Interest payable - net of current portion	-	16,067,328	16,067,328	-	16,067,328
Notes payable, net - net of current portion	2,455,000	149,361,051	151,816,051	(4,881,000)	146,935,051
Total non-current liabilities	<u>2,470,584</u>	<u>167,395,504</u>	<u>169,866,088</u>	<u>(2,488,669)</u>	<u>167,377,419</u>
Total liabilities	<u>6,329,533</u>	<u>201,328,910</u>	<u>207,658,443</u>	<u>(7,550,256)</u>	<u>200,108,187</u>
Net assets					
Unrestricted					
Controlling interest	10,308,701	1,583,427	11,892,128	(10,383,307)	1,508,821
Non-controlling interest	-	37,656,238	37,656,238	-	37,656,238
Total unrestricted net assets	<u>10,308,701</u>	<u>39,239,665</u>	<u>49,548,366</u>	<u>(10,383,307)</u>	<u>39,165,059</u>
Temporarily restricted	190,102	5,135,506	5,325,608	-	5,325,608
Total net assets	<u>10,498,803</u>	<u>44,375,171</u>	<u>54,873,974</u>	<u>(10,383,307)</u>	<u>44,490,667</u>
Total liabilities and net assets	<u>\$ 16,828,336</u>	<u>\$ 245,704,081</u>	<u>\$ 262,532,417</u>	<u>\$ (17,933,563)</u>	<u>\$ 244,598,854</u>

see accompanying notes to consolidated financial statements

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	<i>CHP Program Services</i>	<i>CHP Property Operations</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,063,845	\$ 722,037	\$ 1,785,882	\$ -	\$ 1,785,882
Receivables					
Government grants	684,997	-	684,997	-	684,997
Other grants and contributions	171,000	-	171,000	-	171,000
Contract services	314,325	-	314,325	-	314,325
Related parties - current portion	1,513,759	272,554	1,786,313	(1,786,313)	-
Developer fee receivable	360,281	-	360,281	(270,281)	90,000
Rent, subsidy, and others	4,033	842,882	846,915	(25,143)	821,772
Prepaid expenses and deposits	334,703	2,505,420	2,840,123	-	2,840,123
Marketable securities	3,519	-	3,519	-	3,519
Total current assets	<u>4,450,462</u>	<u>4,342,893</u>	<u>8,793,355</u>	<u>(2,081,737)</u>	<u>6,711,618</u>
Related party receivable - net of current portion	-	2,426,000	2,426,000	(2,426,000)	-
Developer fee receivable - net of current portion	484,269	-	484,269	(484,269)	-
Restricted deposits					
Replacement, operating and other reserves	586,614	14,020,838	14,607,452	-	14,607,452
Tenant security deposits	8,070	296,102	304,172	-	304,172
Development-in-progress	1,020	22,550,720	22,551,740	-	22,551,740
Fixed assets - net	1,757,701	181,387,605	183,145,306	16,519	183,161,825
Deferred costs - net	-	284,601	284,601	-	284,601
Investment in other companies	5,165,764	2,757,199	7,922,963	(7,922,963)	-
Total non-current assets	<u>8,003,438</u>	<u>223,723,065</u>	<u>231,726,503</u>	<u>(10,816,713)</u>	<u>220,909,790</u>
Total assets	<u>\$ 12,453,900</u>	<u>\$ 228,065,958</u>	<u>\$ 240,519,858</u>	<u>\$ (12,898,450)</u>	<u>\$ 227,621,408</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable and accrued expenses	\$ 1,091,566	\$ 853,950	\$ 1,945,516	\$ (31,743)	\$ 1,913,773
Development costs payable	-	4,059,119	4,059,119	-	4,059,119
Related parties - current portion	689,963	1,210,595	1,900,558	(1,886,058)	14,500
Interest payable - current portion	-	216,562	216,562	-	216,562
Notes payable, net - current portion	250,000	8,187,155	8,437,155	(250,000)	8,187,155
Total current liabilities	<u>2,031,529</u>	<u>14,527,381</u>	<u>16,558,910</u>	<u>(2,167,801)</u>	<u>14,391,109</u>
Tenant security deposits	7,941	320,659	328,600	-	328,600
Deferred income	737,901	1,194,421	1,932,322	2,044,640	3,976,962
Related parties - net of current portion	-	484,269	484,269	(484,269)	-
Interest payable - net of current portion	-	13,676,977	13,676,977	-	13,676,977
Notes payable, net - net of current portion	-	145,830,657	145,830,657	(2,426,000)	143,404,657
Total non-current liabilities	<u>745,842</u>	<u>161,506,983</u>	<u>162,252,825</u>	<u>(865,629)</u>	<u>161,387,196</u>
Total liabilities	<u>2,777,371</u>	<u>176,034,364</u>	<u>178,811,735</u>	<u>(3,033,430)</u>	<u>175,778,305</u>
Net assets					
Unrestricted					
Controlling interest	9,295,020	1,861,293	11,156,313	(9,865,020)	1,291,293
Non-controlling interest	-	45,034,795	45,034,795	-	45,034,795
Total unrestricted net assets	<u>9,295,020</u>	<u>46,896,088</u>	<u>56,191,108</u>	<u>(9,865,020)</u>	<u>46,326,088</u>
Temporarily restricted	381,509	5,135,506	5,517,015	-	5,517,015
Total net assets	<u>9,676,529</u>	<u>52,031,594</u>	<u>61,708,123</u>	<u>(9,865,020)</u>	<u>51,843,103</u>
Total liabilities and net assets	<u>\$ 12,453,900</u>	<u>\$ 228,065,958</u>	<u>\$ 240,519,858</u>	<u>\$ (12,898,450)</u>	<u>\$ 227,621,408</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, 2018

	<i>CHP Program Services</i>	<i>CHP Property Operations</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
Change in unrestricted net assets					
Revenue and other support					
Government grants	\$ 8,847,270	\$ -	\$ 8,847,270	\$ -	\$ 8,847,270
Contributions	1,719,007	-	1,719,007	-	1,719,007
In-kind contributions	23,133	-	23,133	-	23,133
Contract service income	2,580,996	-	2,580,996	-	2,580,996
Rent and subsidy income - net	212,085	14,075,610	14,287,695	(15,688)	14,272,007
Operating subsidy grants	-	3,893,400	3,893,400	-	3,893,400
Developer fees	2,225,000	-	2,225,000	(2,150,000)	75,000
Related party fees	4,408,722	-	4,408,722	(4,408,722)	-
Loss from investment in other companies	(365,400)	(856)	(366,256)	366,256	-
Interest and other income	115,122	331,695	446,817	(50,147)	396,670
Investment income	250	-	250	-	250
Total revenue and other support	<u>19,766,185</u>	<u>18,299,849</u>	<u>38,066,034</u>	<u>(6,258,301)</u>	<u>31,807,733</u>
Net assets released from restrictions	<u>381,509</u>	<u>-</u>	<u>381,509</u>	<u>-</u>	<u>381,509</u>
Total unrestricted revenue and support	<u>20,147,694</u>	<u>18,299,849</u>	<u>38,447,543</u>	<u>(6,258,301)</u>	<u>32,189,242</u>
Expenses					
Program services	14,710,028	16,891,036	31,601,064	(5,660,288)	25,940,776
Management and general	3,212,674	-	3,212,674	-	3,212,674
Fundraising	577,931	-	577,931	-	577,931
Total expenses before deferred interest, depreciation and amortization	<u>18,500,633</u>	<u>16,891,036</u>	<u>35,391,669</u>	<u>(5,660,288)</u>	<u>29,731,381</u>
Change in unrestricted net assets before deferred interest, depreciation and amortization					
	1,647,061	1,408,813	3,055,874	(598,013)	2,457,861
Deferred interest	-	2,388,293	2,388,293	-	2,388,293
Depreciation and amortization	633,380	6,791,251	7,424,631	(79,726)	7,344,905
Total deferred interest, depreciation and amortization	<u>633,380</u>	<u>9,179,544</u>	<u>9,812,924</u>	<u>(79,726)</u>	<u>9,733,198</u>
Change in unrestricted net assets	1,013,681	(7,770,731)	(6,757,050)	(518,287)	(7,275,337)
Change in temporarily restricted net assets					
Contributions	190,102	-	190,102	-	190,102
Release from temporarily restricted net assets	(381,509)	-	(381,509)	-	(381,509)
Change in temporarily restricted net assets	<u>(191,407)</u>	<u>-</u>	<u>(191,407)</u>	<u>-</u>	<u>(191,407)</u>
Total change in net assets	822,274	(7,770,731)	(6,948,457)	(518,287)	(7,466,744)
Net assets, beginning of year	9,676,529	52,031,594	61,708,123	(9,865,020)	51,843,103
Capital contributions - non-controlling interest	-	116,708	116,708	-	116,708
Decrease in net assets from the consolidation of San Cristina, L.P.	<u>-</u>	<u>(2,400)</u>	<u>(2,400)</u>	<u>-</u>	<u>(2,400)</u>
Net assets, end of year	<u>\$ 10,498,803</u>	<u>\$ 44,375,171</u>	<u>\$ 54,873,974</u>	<u>\$ (10,383,307)</u>	<u>\$ 44,490,667</u>
Reconciliation of net assets					
Controlling interest					
Beginning of year					\$ 6,808,308
Changes in net assets					28,521
Decrease in net assets from the consolidation of San Cristina, L.P.					(2,400)
End of year					<u>6,834,429</u>
Non-controlling interest					
Beginning of year					45,034,795
Capital contributions					116,708
Changes in net assets					(7,495,265)
End of year					<u>37,656,238</u>
Net assets, end of year					<u>\$ 44,490,667</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, 2017

	<i>CHP Program Services</i>	<i>CHP Property Operations</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
Change in unrestricted net assets					
Revenue and other support					
Government grants	\$ 9,653,457	\$ -	\$ 9,653,457	\$ -	\$ 9,653,457
Contributions	1,498,987	-	1,498,987	-	1,498,987
In-kind contributions	58,997	-	58,997	-	58,997
Contract service income	2,250,546	-	2,250,546	-	2,250,546
Rent and subsidy income - net	231,253	9,337,920	9,569,173	(15,588)	9,553,585
Operating subsidy grants	-	4,769,048	4,769,048	-	4,769,048
Developer fees	990,000	-	990,000	(900,000)	90,000
Related party fees	4,083,123	14,400	4,097,523	(4,097,523)	-
Income (loss) from investment in other companies	1,071,428	(810)	1,070,618	(1,070,618)	-
Interest and other income	150,691	184,996	335,687	(45,716)	289,971
Investment income	466	-	466	-	466
Total revenue and other support	<u>19,988,948</u>	<u>14,305,554</u>	<u>34,294,502</u>	<u>(6,129,445)</u>	<u>28,165,057</u>
Net assets released from restrictions	337,930	-	337,930	-	337,930
Total unrestricted revenue and support	<u>20,326,878</u>	<u>14,305,554</u>	<u>34,632,432</u>	<u>(6,129,445)</u>	<u>28,502,987</u>
Expenses					
Program services	13,665,069	15,429,546	29,094,615	(4,786,577)	24,308,038
Management and general	3,685,852	-	3,685,852	-	3,685,852
Fundraising	464,564	-	464,564	-	464,564
Total expenses before deferred interest, depreciation and amortization	<u>17,815,485</u>	<u>15,429,546</u>	<u>33,245,031</u>	<u>(4,786,577)</u>	<u>28,458,454</u>
Change in unrestricted net assets before deferred interest, depreciation and amortization, and gain on involuntary conversion	2,511,393	(1,123,992)	1,387,401	(1,342,868)	44,533
Deferred interest	-	2,561,547	2,561,547	-	2,561,547
Depreciation and amortization	252,942	6,377,660	6,630,602	(58,226)	6,572,376
Total deferred interest, depreciation and amortization	<u>252,942</u>	<u>8,939,207</u>	<u>9,192,149</u>	<u>(58,226)</u>	<u>9,133,923</u>
Gain on involuntary conversion	-	167,807	167,807	-	167,807
Change in unrestricted net assets	<u>2,258,451</u>	<u>(9,895,392)</u>	<u>(7,636,941)</u>	<u>(1,284,642)</u>	<u>(8,921,583)</u>
Change in temporarily restricted net assets					
Contributions	251,500	-	251,500	-	251,500
Release from temporarily restricted net assets	(337,930)	-	(337,930)	-	(337,930)
Change in temporarily restricted net assets	<u>(86,430)</u>	<u>-</u>	<u>(86,430)</u>	<u>-</u>	<u>(86,430)</u>
Total change in net assets	2,172,021	(9,895,392)	(7,723,371)	(1,284,642)	(9,008,013)
Net assets, beginning of year	7,504,508	59,552,826	67,057,334	(8,580,378)	58,476,956
Capital contributions - non-controlling interest	-	2,456,660	2,456,660	-	2,456,660
Syndication costs	-	(82,500)	(82,500)	-	(82,500)
Net assets, end of year	<u>\$ 9,676,529</u>	<u>\$ 52,031,594</u>	<u>\$ 61,708,123</u>	<u>\$ (9,865,020)</u>	<u>\$ 51,843,103</u>
Reconciliation of net assets					
Controlling interest					
Beginning of year					\$ 6,681,338
Changes in net assets					126,970
End of year					<u>6,808,308</u>
Non-controlling interest					
Beginning of year					51,795,618
Capital contributions					2,456,660
Syndication costs					(82,500)
Changes in net assets					(9,134,983)
End of year					<u>45,034,795</u>
Net assets, end of year					<u>\$ 51,843,103</u>

see accompanying notes to consolidated financial statements

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (7,466,744)	\$ (9,008,013)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Interest expense - debt issuance costs	306,196	441,235
Amortization of discount	13,981	12,730
Investment income	(250)	(466)
Depreciation and amortization	7,344,905	6,572,376
(Increase) decrease in assets		
Accounts receivable	(2,439,617)	560,766
Developer fee receivable	15,000	-
Prepaid expenses and deposits	275,273	(249,616)
Tenant security deposits	1,716	20,980
Marketable securities	(1,500)	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	655,799	563,988
Deferred income	154,146	909,545
Tenant security deposits payable	(4,942)	16,057
Interest payable	2,447,883	2,594,711
Net cash provided by operating activities	<u>1,301,846</u>	<u>2,434,293</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investment in other companies	(5,000)	-
Net decrease (increase) in restricted deposit for reserves	1,768,522	(1,295,155)
Purchases of property and equipment, including development-in-progress	(23,451,899)	(39,317,298)
Prepayment of ground lease	-	(1,980,000)
Net cash used in investing activities	<u>(21,688,377)</u>	<u>(42,592,453)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions - non-controlling interest	116,708	2,456,660
Proceeds from (payments of) line of credit	502,000	(300,000)
Payment of notes payable	(1,032,104)	(4,007,133)
Proceeds from notes payable	23,075,617	42,859,502
Payment of loan costs	(23,348)	(1,077,673)
Syndication costs paid	-	(82,500)
Net cash provided by financing activities	<u>22,638,873</u>	<u>39,848,856</u>
Net increase (decrease) in cash and cash equivalents	2,252,342	(309,304)
Cash and cash equivalents at beginning of year	<u>1,785,882</u>	<u>2,095,186</u>
Cash and cash equivalents at end of year	<u>\$ 4,038,224</u>	<u>\$ 1,785,882</u>
Supplemental disclosure of cash flow information		
Cash paid for capitalized interest	<u>\$ 462,951</u>	<u>\$ 451,333</u>
Cash paid for interest expense	<u>\$ 786,191</u>	<u>\$ 227,552</u>
Supplemental disclosure of noncash activities		
Increase in accounts payable and accrued expenses from the consolidation of San Cristina, L.P.	<u>\$ 2,400</u>	<u>\$ -</u>
Increase in fixed assets from capitalized amortization of debt issuance costs	<u>\$ 110,482</u>	<u>\$ -</u>
Increase in fixed assets from accrued interest	<u>\$ 67,590</u>	<u>\$ -</u>
Decrease of deferred income from amortization of development fees	<u>\$ 79,726</u>	<u>\$ 58,226</u>

see accompanying notes to consolidated financial statements

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

1. Organization

Community Housing Partnership and affiliates (“CHP” or “Organization”) is a California non-profit public benefit corporation first 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 LLCs 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
CHP Colton 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 5th 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.

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

1. Organization (continued)

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

CHP is the sole member of CHP Civic Center LLC, which was formed in order to lease the rentable space at Civic Center Hotel (see note 17) 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

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.

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., 666 Ellis, L.P., and 1750 McAllister, L.P. The aggregate balance of the limited partners' interest is shown in unrestricted net assets.

Investments in other companies

CHP's investments in other companies are 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 that are controlled by CHP are eliminated in these consolidated financial statements.

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.

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

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

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

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 that extend their useful lives, loan repayments, and other restrictions as stated in the Organization's various governing agreements. 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.

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, 2018 and 2017, cash balances in excess of the federal insurance limit totaled \$7,790,306 and \$7,581,722, respectively.

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.

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. Newly purchased, acquired, constructed, or donated fixed assets are capitalized if they have an expected useful life greater than one year and have a value of \$2,000 or more. Building improvements, upgrades, or repairs are capitalized if they have a value of \$2,000 or more and they have a useful life of more than one year, or extend the useful life of an existing asset by more than one year. 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.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The useful lives of the Organization's assets are estimated as follows:

Buildings	27.5 to 55 years
Building improvements	10 to 55 years
Land improvements	15 years
Leasehold improvements	3 to 10 years
Furniture, fixtures & equipment	3 to 10 years

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

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

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.

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.

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, 2018 and 2017:

		June 30, 2018			
		Level 1	Level 2	Level 3	Fair Value Measurements
Assets					
	Marketable securities	\$ 5,269	\$ -	\$ -	\$ 5,269
		June 30, 2017			
		Level 1	Level 2	Level 3	Fair Value Measurements
Assets					
	Marketable securities	\$ 3,519	\$ -	\$ -	\$ 3,519

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

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

Fair value measurements (continued)

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.

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments, as of June 30, 2018 and 2017, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying consolidated statements of financial position.

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, 2018 and 2017.

Development-in-progress

The Organization incurs costs during the construction or rehabilitation phase of each affordable or other housing project. Such costs include governmental fees, legal, consulting and other fees needed to assess a project's feasibility and arrange for financing, in addition to the hard construction costs. These costs are recorded as development-in-progress until the project is completed and placed in service.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

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.

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

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

Revenue recognition (continued)

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

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 rental income. Rental units occupied by employees are included as both rental income and as an expense of operations.

Development fees

CHP recognizes developer fee revenue as earned during the development phase of a project based on the achievement of specified benchmarks in accordance with related development agreement, which generally approximate revenue recognition by the percentage of completion method.

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.

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.

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, 2018 and 2017, the value of volunteer services totaled \$23,133 and \$51,538, respectively, which 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 \$0 and \$7,459 during the years ended June 30, 2018 and 2017, respectively, which 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, 2018 and 2017

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

Economic concentrations

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.

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.

Deferred costs and amortization

Deferred costs are comprised of tax credit fees, which are amortized on a straight-line basis over the respective tax credit compliance period. The related amortization expense for the years ended June 30, 2018 and 2017 was \$42,230 and \$44,696, respectively.

Subsequent events

Subsequent events have been evaluated through January 29, 2019, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosure.

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

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, in part, consisted of the following at June 30, 2018 and 2017 as shown in the tables below:

	2018				
	Replacement Reserves	Operating Reserves	Other Reserves	Subsidy Reserves	Total
Senator Hotel	\$ 232,091	\$ 193,110	\$ 73	\$ -	\$ 425,274
San Cristina Hotel	120,782	8,036	279,925	-	408,743
Iroquois Hotel	104,900	227,968	-	-	332,868
Island Bay Homes	30,020	104,005	-	-	134,025
Hotel Essex, L.P.	298,263	203,299	-	2,307	503,869
650 Eddy, L.P.	334,124	276,778	253,215	1,068	865,185
Arendt House, L.P.	212,361	218,883	-	81,942	513,186
473 Ellis, L.P.	140,003	3,525,280	-	-	3,665,283
365 Fulton, L.P.	393,495	1,034,828	75,656	253,963	1,757,942
CHP Scott Street, L.P.	132,018	141,116	-	85,176	358,310
CHP Villages	67,632	194,391	50,731	-	312,754
666 Ellis, L.P.	99,053	-	619,042	-	718,095
25 Essex, L.P.	345,139	702,939	170,278	97,984	1,316,340
1750 McAllister	-	-	1,090,483	-	1,090,483
Total	\$ 2,509,881	\$ 6,830,633	\$ 2,539,403	\$ 522,440	\$12,402,357

	2017				
	Replacement Reserves	Operating Reserves	Other Reserves	Subsidy Reserves	Total
Senator Hotel	\$ 366,195	\$ 192,994	\$ 15	\$ -	\$ 599,204
San Cristina Hotel	123,643	8,032	279,775	-	411,450
Iroquois Hotel	95,483	80,842	-	-	176,325
Island Bay Homes	51,702	103,943	-	685	156,330
Hotel Essex, L.P.	318,710	339,509	-	25,950	684,169
650 Eddy, L.P.	333,172	276,631	253,063	104	862,970
Arendt House, L.P.	191,442	218,756	-	93	410,291
473 Ellis, L.P.	65,807	3,522,890	-	-	3,588,697
365 Fulton, L.P.	353,860	1,212,918	75,613	641,118	2,283,509
CHP Scott Street, L.P.	117,533	141,031	-	1,003	259,567
CHP Villages	259,436	178,615	584,764	-	1,022,815
666 Ellis, L.P.	59,417	-	716,219	-	775,636
25 Essex, L.P.	283,196	702,462	170,163	521,740	1,677,561
1750 McAllister, L.P.	-	-	1,152,314	-	1,152,314
Total	\$ 2,619,596	\$ 6,978,623	\$ 2,647,162	\$ 1,775,457	\$14,020,838

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

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, 2018 and 2017 was \$436,116 and \$543,807, respectively. The balance of the supplemental reserve as of June 30, 2018 and 2017 was \$457 and \$42,807, 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, 2018 and 2017 were \$302,456 and \$304,172, 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. An additional reserve for capital replacements was funded upon the project’s sale of certain transferable development rights during a prior year.

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. 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 set up via transfer 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 used in operations during the year.

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

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 used in operations 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 used in operations 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 project's HCD loan.

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 used in operations 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, 2018 and 2017

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 \$99,000, the replacement reserve is required to be funded in an annual amount of \$39,600 through equal monthly deposits. The partnership must also establish and 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 available 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. The timing of the funding of these reserves depends on certain events in accordance with the partnership agreement. Additional reserves are required in accordance with the partnership's loan agreements.

1750 McAllister, L.P. – In accordance with the partnership agreement, after the required initial deposit of \$97,000, the replacement reserve is required to be funded in an annual amount of \$38,796 through equal monthly deposits. The partnership must also establish an operating reserve in the initial amount of \$817,212, subject to the terms of the partnership agreement. The partnership agreement also requires a separate subsidy shortfall reserve in the initial amount of \$177,284 in order to fund operations in the event of interruption of the project's subsidy payments. The timing of the funding of these reserves depends on certain events in accordance with the partnership agreement. Additional reserves are required in accordance with the partnership's loan agreements.

CHP Villages – In accordance with the project's loan agreement with the City, monthly deposits to the replacement reserve are required in an amount 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.

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

4. Contributions and grants receivable

Contributions and grants receivable as of June 30, 2018 and 2017, which represent amounts expected to be received in less than one year, consisted of the following:

	<u>2018</u>	<u>2017</u>
Federal grant receivable	\$ 642,570	\$ 684,997
Other contributions and grants	61,000	171,000
Total	<u>\$ 703,570</u>	<u>\$ 855,997</u>

5. Fixed assets

Fixed assets as of June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 6,232,752	\$ 6,232,752
Buildings and building improvements	231,945,365	208,779,972
Land improvements	2,906,175	2,412,471
Furniture, fixtures, and equipment	4,445,372	4,136,768
Leasehold improvements	<u>1,785,752</u>	<u>3,906,736</u>
Total fixed assets	247,315,416	225,468,699
Less accumulated depreciation	<u>(49,536,278)</u>	<u>(42,306,874)</u>
Total fixed assets, net	<u>\$ 197,779,138</u>	<u>\$ 183,161,825</u>
Development-in-progress	<u>\$ 22,292,557</u>	<u>\$ 22,551,740</u>

Depreciation expense during the years ended June 30, 2018 and 2017 was \$7,302,675 and \$6,527,680, respectively, which is shown net of deferred developer fee amortization of \$79,726 and \$58,226 (see note 12), respectively.

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), for the year ended June 30, 2016. The reduction in fixed assets was determined by adjusting for inflation the total actual and estimated replacement hard costs in the amount of \$696,025. Based on actual insurance proceeds received as of the date the prior year financial statements were issued in the amount of \$1,258,781, a gain on involuntary conversion was recorded in the amount of \$867,158 for the year ended June 30, 2016. As a result of additional insurance proceeds received during the year ended June 30, 2017 in the amount of \$167,807, without a material change to the actual replacement costs compared to estimated replacement costs, an additional gain on involuntary conversion equal to \$167,807 was recorded for the year ended June 30, 2017.

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

6. Investment in other companies

CHP, through its 49% ownership interest, is a co-member of Mission Bay 9 LLC with Bridge Housing Corporation (“Bridge”). Mission Bay 9 LLC was formed on January 24, 2018 to serve as the general partner of Mission Bay 9 LP, which intends to own and operate a future low-income housing development (the “Mission Bay Project”). Since Bridge is considered by the Organization to have control of the entity, the Organization accounts for its investment in Mission Bay 9 LLC under the equity method of accounting. As of June 30, 2018, the Organization’s investment balance in Mission Bay 9 LLC was \$5,000, with no corresponding investment income for the year ended June 30, 2018. Mission Bay 9 LP was formed on January 25, 2018 and is owned 1% by Mission Bay 9 LLC and 99% by Bridge Regional Partners, Inc., a Bridge affiliate, and therefore is also considered to be controlled by Bridge.

7. 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 (an affiliate of Bridge). As of June 30, 2018 and 2017, 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 statements 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, 2018 and 2017, the developer fee payable was \$850, and is included in the amount due to related parties on the accompanying consolidated statements of financial position.

8. Developer fees

Pursuant to a memorandum of understanding, CHP and Strada Investment Group intend to 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 its adjacent parcels. For the years ended June 30, 2018 and 2017, CHP earned developer fees of \$0 and \$90,000, respectively, for services performed during the predevelopment phase of the project. As of June 30, 2018 and 2017, the balance of related developer fees receivable was \$0 and \$90,000, respectively.

In connection with the Mission Bay Project (see Note 6), and in accordance with a loan agreement dated February 20, 2018 between Mission Bay 9 LLC and the Office of Community Investment and Infrastructure, CHP shall serve as the co-developer for the Mission Bay Project along with Bridge, with the developer fee to be split evenly between CHP and Bridge. In accordance with the loan agreement, CHP earned developer fees of \$75,000 for the year ended June 30, 2018. As of June 30, 2018, the balance of developer fee receivable related to the Mission Bay Project was \$75,000.

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

9. 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, 2018 and 2017 was \$5,269 and \$3,519, respectively. For the years ended June 30, 2018 and 2017, realized and unrealized gain from marketable securities was \$250 and \$466, respectively.

10. Notes payable

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

	<u>2018</u>	<u>2017</u>
<u>CHP loans:</u>		
<u>Community Housing Partnership</u>		
<p>During 2017, CHP and Bank of America California, N.A. executed a loan under the Affordable Housing Program in the principal amount of \$970,000 ("1750 AHP Loan"). CHP, in turn, made a loan of equal amount to 1750 McAllister, L.P. The loan bears no interest and is secured by a subordinate deed of trust in the housing project. The loan is forgivable after 15 years from the date the project's rehabilitation was completed, provided the project complies with certain affordable housing provisions of the loan agreement; otherwise, the loan is payable at maturity on October 1, 2072.</p>	970,000	-
<p>During 2018, CHP and Bank of America California, N.A. executed a loan under the Affordable Housing Program in the principal amount of \$1,485,000. CHP, in turn, made a loan of equal amount to 666 Ellis, L.P. The loan bears no interest and is secured by a subordinate deed of trust in the housing project. The loan is forgivable after 15 years from the date the project's rehabilitation was completed (the project was completed during the year ended June 30, 2018), provided the project complies with certain affordable housing provisions of the loan agreement; otherwise, the loan is payable at maturity on October 1, 2072.</p>	1,485,000	-

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

Senator Hotel

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, 2018 and 2017 was \$1,275,702 and \$1,164,899, respectively. Current interest expense during the years ended June 30, 2018 and 2017 was \$18,038 and 16,535, respectively, and is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2018 and 2017 was \$110,803 and \$101,569, respectively.

	\$4,294,690	\$4,294,690
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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, 2018 and 2017 was \$1,664,014 and \$1,537,202, respectively. Deferred interest expense during the years ended June 30, 2018 and 2017 was \$126,812 and \$116,244, respectively.

	1,347,532	1,347,532
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Senator Hotel executed a loan with the City and County of San Francisco in the maximum principal amount of \$262,975 in order to replenish the project's operating reserve. The loan is secured by a deed of trust on the project. The loan bears contingent interest at a rate of 3% and is payable only to the extent of residual receipts as defined in the loan agreement. Principal repayments are also contingent on sufficient residual receipts. Otherwise, all unpaid principal and interest is payable upon maturity 55 years from the execution of the loan, on July 17, 2072. For the year ended June 30, 2018, no interest was incurred or paid.

	239,036	-
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COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

San Cristina Hotel

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, 2018 and 2017 was \$1,165,751 and \$1,113,251, respectively. Deferred interest expense during the years ended June 30, 2018 and 2017 was \$52,500 in each year.

1,750,000 1,750,000

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, 2018 and 2017), payable in monthly installments and matures on May 1, 2024. Interest expense during the years ended June 30, 2018 and 2017 was \$8,279 and \$9,637, respectively, and is included in program services expense on the accompanying consolidated statements of activities.

345,349 399,319

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, 2018 and 2017 was \$1,580 and \$1,894, respectively, and is included in program services expense on the accompanying consolidated statements of activities.

29,459 33,738

San Cristina Hotel executed a loan with the City and County of San Francisco in the maximum principal amount of \$197,530 in order to replenish the project's operating reserve. The loan is secured by a deed of trust on the project. The loan bears contingent interest at a rate of 3% and is payable only to the extent of residual receipts as defined in the loan agreement. Principal repayments are also contingent on sufficient residual receipts. Otherwise, all unpaid principal and interest is payable upon maturity 55 years from the execution of the loan, on January 17, 2073. For the year ended June 30, 2018, no interest was incurred or paid.

146,990 -

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

San Cristina Hotel (continued)

On January 10, 2018, CHP, on behalf of San Cristina Hotel, executed a loan in the maximum principal amount of \$450,000 with the City and County of San Francisco, as funded by HUD's CDBG program, in order to rehabilitate the San Cristina Hotel. The loan is secured by a deed of trust in the project. The loan bears contingent interest at a rate of 3% per annum and is payable only to the extent of residual receipts as defined in the loan agreement. Principal repayments are also contingent on sufficient residual receipts. Otherwise, all unpaid principal and interest is payable on the date that is the later of (a) the fifty-seventh (57th) anniversary of the recording of the deed of trust or (b) the fifty-fifth (55th) anniversary of the conversion date, as defined, unless the project fails to commence construction and rehabilitation by March 31, 2019, which would cause the note to be immediately due and payable. For the year ended June 30, 2018, no interest was incurred or paid.

	375,165	-
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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, 2018 and 2017. Provided that no event of default occurs, any remaining obligation will be forgiven upon maturity on April 20, 2070. Accrued interest at June 30, 2018 and 2017 was \$2,042,114 and \$1,995,000, respectively. Deferred interest expense during the years ended June 30, 2018 and 2017 was \$90,000 in each year.

	1,500,000	1,500,000
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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, 2018 and 2017 was \$1,295 and \$1,706, respectively, and is included in program services expense on the accompanying consolidated statements of activities.

	26,535	30,390
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COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. 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, but only if the project has enough available cash to make surplus cash payments. Payments of principal and interest are due to the extent of residual receipts. Accrued interest at June 30, 2018 and 2017 was \$396,023. There was no interest expense during the years ended June 30, 2018 and 2017.

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, 2018 and 2017 was \$617,163 and \$588,534, respectively, net of discount of \$410,808 and \$408,235, respectively. Current interest expense for the years ended June 30, 2018 and 2017 was \$5,455 for each year, and is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2018 and 2017 was \$26,842 and \$33,507, respectively. The outstanding principal balance as of June 30, 2018 and 2017 was \$645,459 and \$649,552, respectively, net of discount of \$653,284 and \$649,191, respectively.

645,459 649,552

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

473 Ellis, L.P. (continued)

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. 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. Deferred interest expense for the years ended June 30, 2018 and 2017 was \$18,145 and \$17,676, respectively. The outstanding principal balance as of June 30, 2018 and 2017 was \$2,255,581 and \$2,237,437, respectively, net of discount of \$1,985,053 and \$2,003,197, respectively.

2,255,581 2,237,437

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, 2018 and 2017 was \$503,826 and \$387,867, respectively. Current interest expense for the years ended June 30, 2018 and 2017 was \$20,272 for each year, and is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2018 and 2017 was \$124,527 and \$124,528, 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

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

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

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, 2018 and 2017 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. For the years ended June 30, 2018 and 2017, the effective interest rate, which includes amortization of debt issuance costs, was 3.01%. 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, 2018 and 2017 was \$1,328,452 and \$1,171,285, respectively. Interest expense during the years ended June 30, 2018 and 2017 was \$25,585 and \$25,586, respectively, and is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2018 and 2017 was \$157,167 and \$157,166, respectively.

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

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

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. For the years ended June 30, 2018 and 2017, the effective interest rate, which includes amortization of debt issuance costs, was 3.01%. All principal and interest are due at maturity in January 2067. Accrued interest as of June 30, 2018 and 2017 was \$1,049,236 and \$888,042, respectively. Interest expense during each of the years ended June 30, 2018 and 2017 was \$26,241 and is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during each of the years ended June 30, 2018 and 2017 was \$161,193.

6,247,804 6,247,804

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

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

Hotel Essex, L.P. (continued)

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. For each of the years ended June 30, 2018 and 2017, the effective interest rate, which includes amortization of debt issuance costs, was 3.01%. The entire principal and unpaid accrued interest is to be repaid in October 2063. Accrued interest as of June 30, 2018 and 2017 was \$1,755,197 and \$1,574,597, respectively. For each of the years ended June 30, 2018 and 2017, current interest expense was \$29,400 and is included in program services expense on the accompanying consolidated statements of activities. For each of the years ended June 30, 2018 and 2017, 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

CHP Scott Street, L.P.

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. For the years ended June 30, 2018 and 2017, the effective interest rate, which includes amortization of debt issuance costs, was 3.01%. The entire principal and unpaid accrued interest is to be repaid in February 2071. Accrued interest as of June 30, 2018 and 2017 was \$247,697 and \$145,938, respectively. For the years ended June 30, 2018 and 2017 current interest expense was \$16,565 and \$14,127, respectively, and is included in program services expense on the accompanying consolidated statements of activities. For the years ended June 30, 2018 and 2017 deferred interest expense was \$101,759 for each year.

3,944,116 3,944,116

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

CHP Scott Street, L.P. (continued)

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 was 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, 2018 and 2017 was \$2,503 and \$2,414, respectively. The outstanding principal balance as of June 30, 2018 and 2017 was \$70,054 and \$67,551, respectively, net of discount of \$329,946 and \$332,449, respectively.

	70,054	67,551
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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. For the years ended June 30, 2018 and 2017, the effective interest rate, which includes amortization of debt issuance costs, was 0.84%. 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
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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
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COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

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. For the years ended June 30, 2018 and 2017, the effective interest rate, which includes amortization of debt issuance costs, was 3.04%. The entire principal and unpaid accrued interest is to be repaid in full in February 2068. Accrued interest at June 30, 2018 and 2017 was \$1,252,986 and \$1,028,199, respectively. Interest expense during the years ended June 30, 2018 and 2017 was \$42,453 and \$37,413, respectively, and is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2018 and 2017 was \$229,828 and \$229,826, respectively.

	8,907,928	8,907,928
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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 from available cash flow. Unpaid interest and principal is payable at maturity in November 2066. Accrued interest as of June 30, 2018 and 2017 was \$456,778 and \$431,540, respectively. Deferred interest expense during each of the years ended June 30, 2018 and 2017 was \$25,238.

	841,263	841,263
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In January 2010, 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
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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 is 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 55th anniversary of the completion date, as defined.

	1,296,752	1,296,752
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COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

666 Ellis, L.P. (continued)

In November 2015, the partnership executed a construction loan with the City 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% (3.59% and 2.67% as of June 30, 2018 and 2017, respectively). For the years ended June 30, 2018 and 2017, the effective interest rate, which includes amortization of debt issuance costs, was 5.21%. On May 1, 2019, the loan is expected to be partially paid down to an estimated balance of \$3,388,000 and converted into a permanent loan with modified terms. For the years ended June 30, 2018 and 2017, interest expense was \$515,203 and \$147,691, respectively, of which \$259,920 and \$147,691, respectively, was capitalized to fixed assets or development-in-progress. As of June 30, 2018 and 2017, the balance of accrued interest was \$54,959 and \$0, respectively.

18,548,178 11,510,604

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 55th anniversary of the loan disbursement date.

600,000 600,000

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 interest payments 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 55th anniversary of the loan disbursement date. For the years ended June 30, 2018 and 2017, deferred interest expense was \$380,555 and \$622,870, respectively. As of June 30, 2018 and 2017, the balance of accrued interest was \$1,003,425 and \$622,870, respectively.

14,375,000 14,375,000

1750 McAllister, L.P.

In July 2015, the partnership executed a loan with the City in the principal amount of \$1,129,602. The loan did not accrue interest. The loan was secured by a subordinate deed of trust. During the year ended June 30, 2018, the loan was paid off with proceeds from the 1750 AHP Loan.

- 970,000

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

1750 McAllister, L.P. (continued)

In October 2016, the partnership executed a construction loan with the City in the maximum principal amount of \$30,548,000, secured by a first priority deed of trust on the project. The loan accrues interest at a variable rate equal to the LIBOR daily floating rate plus 1.80% (3.89% and 2.97% as of June 30, 2018 and 2017). For the years ended June 30, 2018 and 2017, the effective interest rate, which includes amortization of debt issuance costs, was 8.00%. On May 1, 2019, the loan is expected to be partially paid down to an estimated balance of \$9,603,000 and converted into a permanent loan with modified terms. For the years ended June 30, 2018 and 2017, interest expense was \$593,861 and \$79,861, respectively, all of which was capitalized to development-in-progress. As of June 30, 2018 and 2017, the balance of accrued interest was \$67,590 and \$0, respectively.

21,509,438 8,687,586

In October 2016, the partnership executed a loan with SFHA in the principal amount of \$1,000,000, secured by a subordinate deed of trust. The loan does not accrue interest. Payments on the loan are made to the extent of residual receipts. Any unpaid principal is due upon maturity on the 55th anniversary of the loan disbursement date.

1,000,000 1,000,000

In October 2016, the partnership executed a loan with SFHA in the principal amount of \$21,661,312, secured by a subordinate deed of trust. The loan accrues interest at a rate of 1.95%, compounded annually. Annual interest payments in the amount of \$15,000 shall be made beginning on the first June 30 after the project's rehabilitation is completed, and continuing annually thereafter, with additional payments to be made to the extent of residual receipts. Any unpaid principal is due upon maturity on the 55th anniversary of the loan disbursement date. For the years ended June 30, 2018 and 2017, deferred interest expense was \$428,624 and \$317,826, respectively. As of June 30, 2018 and 2017 the balance of accrued interest was \$746,450 and \$317,826, respectively.

21,661,312 21,661,312

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

25 Essex, L.P.

In August 2014, the partnership executed an MHSA loan with CalHFA in the principal amount of \$1,000,000. The loan bears deferred interest at a simple rate of 3% per annum. A servicing fee is due annually at an amount equal to 0.42% of the unpaid principal balance. Payments on the loan are only due to the extent of surplus cash in accordance with the partnership's regulatory agreements. Principal and interest are otherwise payable at maturity in August 2069. Accrued interest as of June 30, 2018 and 2017 was \$110,228 and \$80,228, respectively. For the years ended June 30, 2018 and 2017, deferred interest expense was \$30,000 for each year.

1,000,000 1,000,000

In October 2015, the partnership obtained an HCD MHP loan in the amount of \$9,334,681. 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. For the years ended June 30, 2018 and 2017, the effective interest rate, which includes amortization of debt issuance costs, was 3.01%. The entire principal and unpaid accrued interest is to be repaid in October 2070. Accrued interest as of June 30, 2018 and 2017 was \$639,190 and \$420,580, respectively. For the years ended June 30, 2018 and 2017, current interest expense was \$39,041 and \$39,096, respectively, and is included in program services expense on the accompanying consolidated statements of activities. For the years ended June 30, 2018 and 2017, deferred interest expense was \$240,219 and \$214,284, respectively.

9,308,687 9,308,687

In February 2011, the partnership executed a loan with the City in the maximum principal amount of \$8,758,641. Interest shall accrue at a rate of 3% per annum, but only to the extent the partnership has residual receipts with which to make payment. Similarly, principal payments shall only be made from residual receipts; otherwise no payments are due until maturity in December 2068.

7,724,548 7,724,548

In February, 2011, the partnership executed a loan with the City in the principal amount of \$950,000. Interest shall accrue at a rate of 3% per annum, but only to the extent the partnership has residual receipts with which to make payment. Similarly, principal payments shall only be made from residual receipts. Otherwise, no payments are due until maturity in December 2068.

837,838 837,838

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

CHP Villages

In connection with CHP's assumption of the sublease for CHP Villages (see note 15), on July 1, 2014, CHP also assumed, from Rubicon Villages, Inc., the note payable encumbering the project. The note is payable to the City. The loan was initially executed on March 26, 2002 in the initial principal balance of \$1,860,620. Upon execution of the first amendment to the note in December 2003, the maximum principal balance was amended to \$1,621,032. Upon execution of the second amendment to the note in May 2011, the interest rate was amended from 7.5% to 0%. The maturity date of the note is the earlier of the 50th anniversary of the execution of the note or the date the sublease for CHP Villages is terminated.

	66,007	66,007
Total notes payable (including discounts)	174,448,385	152,388,318
Less: unamortized debt issuance costs	<u>(379,828)</u>	<u>(796,506)</u>
Note payable, net of unamortized debt issuance costs	<u>\$ 174,068,557</u>	<u>\$ 151,591,812</u>

Debt issuance costs are being amortized to interest expense over the term of the respective loans. For the years ended June 30, 2018 and 2017, amortization expense for debt issuance costs was \$306,196 and \$441,235, respectively.

Expected future minimum principal payments on notes payable over each of the next five years and thereafter are as follows:

Year Ending June 30,

2019	\$ 27,133,506
2020	69,316
2021	71,832
2022	75,643
2023	65,188
Thereafter	<u>150,001,183</u>
Total	<u>\$ 177,416,668</u>

11. Line of credit

CHP has a line of credit with Wells Fargo Bank with maximum borrowings of \$1,000,000. As of June 30, 2018 and 2017, the outstanding balance was \$502,000 and \$0, respectively. Advances on the credit line carry interest at 5%. The credit line is secured by all property and assets of CHP and matures on April 5, 2020. Interest expense during the years ended June 30, 2018 and 2017 was \$17,194 and \$6,585, respectively, and is included in program services expense on the accompanying consolidated statements of activities.

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

12. Deferred income

Deferred income includes \$2,826,600 and \$2,046,326, net of accumulated amortization of \$362,378 and \$282,652, related to the 40% profit portion of CHP's development fees as of June 30, 2018 and 2017, respectively. For the years ended June 30, 2018 and 2017, amortization to offset the depreciation expense related to the fee capitalized as real property totaled \$79,726 and \$58,226, respectively. The deferred income is amortized using the straight-line method over the estimated useful life of the underlying asset.

13. Temporarily restricted net assets

Temporarily restricted net assets consist of the following:

	June 30, 2017	Contributions	Released from Restrictions	June 30, 2018
Specific programs and time restrictions:				
Community Housing Partnership Solutions SF	\$ -	\$ 110,000	\$ -	\$ 110,000
5th Street	76,509	-	(76,509)	-
Other specific program and time restrictions	-	80,102	-	80,102
	<u>305,000</u>	<u>-</u>	<u>(305,000)</u>	<u>-</u>
	381,509	190,102	(381,509)	190,102
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	1,500,000	-	-	1,500,000
	<u>5,135,506</u>	<u>-</u>	<u>-</u>	<u>5,135,506</u>
Total temporarily restricted net assets	<u>\$ 5,517,015</u>	<u>\$ 190,102</u>	<u>\$ (381,509)</u>	<u>\$ 5,325,608</u>

	June 30, 2016	Contributions	Released from Restrictions	June 30, 2017
Specific programs and time restrictions:				
Solutions SF	\$ 120,000	\$ 51,500	\$ (94,991)	\$ 76,509
CHP Fifth Street, LLC				
Other specific program and time restrictions	347,939	200,000	(242,939)	305,000
Subtotal	<u>467,939</u>	<u>251,500</u>	<u>(337,930)</u>	<u>381,509</u>
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	1,500,000	-	-	1,500,000
Subtotal	<u>5,135,506</u>	<u>-</u>	<u>-</u>	<u>5,135,506</u>
Total temporarily restricted net assets	<u>\$ 5,603,445</u>	<u>\$ 251,500</u>	<u>\$ (337,930)</u>	<u>\$ 5,517,015</u>

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

13. Temporarily restricted net assets (continued)

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 \$344,000 was received under the Affordable Housing Program 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 are included in temporarily restricted net assets and are released in accordance with the terms of the respective grant agreements.

14. Island Bay Homes lease and operating grant

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 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 costs 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.

15. 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.

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

16. 666 Ellis, L.P. and 1750 McAllister, L.P. ground leases

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, which is classified as an operating 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, 2018 and 2017, rent expense was \$3,535 and \$3,500, respectively. As of June 30, 2018 and 2017, the balance of prepaid rent was \$340,965 and \$344,500, respectively.

Similarly, the project owned by 1750 McAllister, L.P. is built on land owned by SFHA. Pursuant to the terms of the lease executed October 1, 2016, 1750 McAllister L.P. leases the land from SFHA on a prepaid basis for a 99-year term. The lease, which is classified as an operating lease, was prepaid on the date of lease execution in the total amount of \$1,980,000. Under the terms of the lease, the land will revert to SFHA at the end of the lease. For the years ended June 30, 2018 and 2017, rent expense was \$20,000 and \$13,000, respectively. As of June 30, 2018 and 2017, the balance of prepaid rent was \$1,947,000 and \$1,967,000, respectively.

17. Commitments and contingencies

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. The lease is recorded as an operating lease. 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. Total rent expense related to this lease for the years ended June 30, 2018 and 2017 was \$212,632 and \$207,594, respectively, which is allocated among program services, management and general, and fundraising expense on the accompanying consolidated statements of activities.

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. Total rent expense related to this lease for the years ended June 30, 2018 and 2017 was \$558,330 and \$550,078, respectively, which is included in program services expense on the accompanying consolidated statements of activities.

On November 2, 2015, CHP began leasing Civic Center Hotel from U.A. Local 38 Pension Trust Fund to lease the site's 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 equal to \$10,000 per month. Total rent expense related to this lease for the years ended June 30, 2018 and 2017 was \$408,000 and \$378,000, respectively, which is included in program services expense on the accompanying consolidated statements of activities.

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

17. Commitments and contingencies (continued)

Rene Cazenave Apartments, which is owned by 25 Essex, L.P., 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, which is classified as an operating 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, 2018 and 2017, total rent payable to the City was \$8 and \$7, 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,	
2019	\$ 922,603
2020	803,276
2021	820,309
2022	699,791
2023	615,694
Thereafter	<u>154,682</u>
Total	<u>\$ 4,016,335</u>

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, 2018 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)
1750 McAllister, L.P.	<u>817,212</u>	(9)
Total	<u>\$ 4,533,324</u>	

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

17. Commitments and contingencies (continued)

Project	Tax Benefit Indemnifications ⁽¹⁰⁾	
	Projected Benefit	Expiration
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
1750 McAllister, L.P.	2,456,660	2033
Total	<u>\$ 64,347,140</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.

⁽⁴⁾ 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.

⁽⁵⁾ 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.

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

17. Commitments and contingencies (continued)

(6) 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.

(7) 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.

(8) 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.

(9) 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 one-half the initial required balance for the operating reserve, or \$408,606, (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 \$817,212.

(10) CHP has made guarantees to deliver tax benefits at certain amounts, or purchase the limited partner interest at a price derived from the limited partner's contributions to 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.

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

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

18. 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.

SUPPLEMENTARY INFORMATION

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED SCHEDULE OF FINANCIAL POSITION - CHP PROGRAM SERVICES
 JUNE 30, 2018

	General	Solutions SF	5th Street Apartments	Civic Center	Total CHP Program Services
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,111,807	\$ 19,216	\$ 14,564	\$ 309,304	\$ 1,454,891
Receivables					
Government grants	404,314	-	195,308	42,948	642,570
Other grants and contributions	61,000	-	-	-	61,000
Contract services	-	372,954	-	-	372,954
Related parties - current portion	2,314,431	351,109	33,066	229,739	2,928,345
Developer fee receivable - current portion	1,795,281	-	-	-	1,795,281
Rent, subsidy, and others	-	-	8,250	-	8,250
Prepaid expenses and deposits	51,108	12,879	49,085	-	113,072
Marketable securities	5,269	-	-	-	5,269
Total current assets	<u>5,743,210</u>	<u>756,158</u>	<u>300,273</u>	<u>581,991</u>	<u>7,381,632</u>
Related party receivable - net of current portion	2,455,000	-	-	-	2,455,000
Developer fee receivable - net of current portion	434,269	-	-	-	434,269
Restricted deposits					
Replacement, operating and other reserves	436,573	-	-	-	436,573
Tenant security deposits	-	-	8,072	-	8,072
Development-in-progress	129,506	-	-	-	129,506
Fixed assets - net	163,958	-	53,701	960,261	1,177,920
Investment in other companies	4,805,364	-	-	-	4,805,364
Total non-current assets	<u>8,424,670</u>	<u>-</u>	<u>61,773</u>	<u>960,261</u>	<u>9,446,704</u>
Total assets	<u>\$ 14,167,880</u>	<u>\$ 756,158</u>	<u>\$ 362,046</u>	<u>\$ 1,542,252</u>	<u>\$ 16,828,336</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 1,462,151	\$ 7,966	\$ 7,847	\$ 207,151	\$ 1,685,115
Related parties - current portion	527,043	731,385	162,305	1,101	1,421,834
Line of credit	502,000	-	-	-	502,000
Notes payable - current portion	250,000	-	-	-	250,000
Total current liabilities	<u>2,741,194</u>	<u>739,351</u>	<u>170,152</u>	<u>208,252</u>	<u>3,858,949</u>
Tenant security deposits	-	-	6,838	-	6,838
Deferred income	-	-	-	8,746	8,746
Notes payable - net of current portion	2,455,000	-	-	-	2,455,000
Total non-current liabilities	<u>2,455,000</u>	<u>-</u>	<u>6,838</u>	<u>8,746</u>	<u>2,470,584</u>
Total liabilities	5,196,194	739,351	176,990	216,998	6,329,533
Net assets					
Unrestricted	8,861,686	16,807	104,954	1,325,254	10,308,701
Temporarily restricted	110,000	-	80,102	-	190,102
Total net assets	<u>8,971,686</u>	<u>16,807</u>	<u>185,056</u>	<u>1,325,254</u>	<u>10,498,803</u>
Total liabilities and net assets	<u>\$ 14,167,880</u>	<u>\$ 756,158</u>	<u>\$ 362,046</u>	<u>\$ 1,542,252</u>	<u>\$ 16,828,336</u>

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COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED SCHEDULE OF FINANCIAL POSITION - CHP PROGRAM SERVICES
JUNE 30, 2017

ASSETS	General	Solutions SF	5th Street Apartments	Civic Center	Total CHP Program Services
Current assets					
Cash and cash equivalents	\$ 124,777	\$ 110,908	\$ 215,319	\$ 612,841	\$ 1,063,845
Receivables					
Government grants	548,009	-	-	136,988	684,997
Other grants and contributions	121,000	50,000	-	-	171,000
Contract services	-	314,325	-	-	314,325
Related parties - current portion	1,365,626	71,463	51,670	25,000	1,513,759
Developer fee receivable - current portion	360,281	-	-	-	360,281
Rent, subsidy, and others	-	-	4,033	-	4,033
Prepaid expenses and deposits	272,309	12,879	49,515	-	334,703
Marketable securities	3,519	-	-	-	3,519
Total current assets	<u>2,795,521</u>	<u>559,575</u>	<u>320,537</u>	<u>774,829</u>	<u>4,450,462</u>
Developer fee receivable - net of current portion	484,269	-	-	-	484,269
Restricted deposits					
Replacement, operating and other reserves	586,614	-	-	-	586,614
Tenant security deposits	-	-	8,070	-	8,070
Development-in-progress	1,020	-	-	-	1,020
Fixed assets - net	147,866	-	100,853	1,508,982	1,757,701
Investment in other companies	5,165,764	-	-	-	5,165,764
Total non-current assets	<u>6,385,533</u>	<u>-</u>	<u>108,923</u>	<u>1,508,982</u>	<u>8,003,438</u>
Total assets	<u>\$ 9,181,054</u>	<u>\$ 559,575</u>	<u>\$ 429,460</u>	<u>\$ 2,283,811</u>	<u>\$ 12,453,900</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 960,614	\$ 5,679	\$ 8,107	\$ 117,166	\$ 1,091,566
Related parties - current portion	55,468	443,792	82,321	108,382	689,963
Notes payable - current portion	250,000	-	-	-	250,000
Total current liabilities	<u>1,266,082</u>	<u>449,471</u>	<u>90,428</u>	<u>225,548</u>	<u>2,031,529</u>
Tenant security deposits	-	-	7,941	-	7,941
Deferred income	214,992	10,233	240,990	271,686	737,901
Total non-current liabilities	<u>214,992</u>	<u>10,233</u>	<u>248,931</u>	<u>271,686</u>	<u>745,842</u>
Total liabilities	<u>1,481,074</u>	<u>459,704</u>	<u>339,359</u>	<u>497,234</u>	<u>2,777,371</u>
Net assets					
Unrestricted	7,394,980	23,362	90,101	1,786,577	9,295,020
Temporarily restricted	305,000	76,509	-	-	381,509
Total net assets	<u>7,699,980</u>	<u>99,871</u>	<u>90,101</u>	<u>1,786,577</u>	<u>9,676,529</u>
Total liabilities and net assets	<u>\$ 9,181,054</u>	<u>\$ 559,575</u>	<u>\$ 429,460</u>	<u>\$ 2,283,811</u>	<u>\$ 12,453,900</u>

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COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED SCHEDULE OF FINANCIAL POSITION - CHP PROPERTY OPERATIONS
JUNE 30, 2018

	Senator Hotel	San Cristina Hotel	Iroquois Hotel	Island Bay Homes	CHP Villages	Tax Credit Partnerships and LLCs	Total CHP Property Operations
ASSETS							
Current assets							
Cash and cash equivalents	\$ -	\$ -	\$ 608,523	\$ 7,223	\$ 490,820	\$ 1,476,767	\$ 2,583,333
Receivables							
Related parties - current portion	10,478	9,228	8,843	719	-	383,693	412,961
Rent, subsidy, and others	40,532	-	54,778	344,155	75,198	2,832,274	3,346,937
Prepaid expenses and deposits	10,974	7,539	7,816	2,511	7,381	2,415,557	2,451,778
Total current assets	<u>61,984</u>	<u>16,767</u>	<u>679,960</u>	<u>354,608</u>	<u>573,399</u>	<u>7,108,291</u>	<u>8,795,009</u>
Related party receivable - net of current portion	-	-	-	-	-	2,426,000	2,426,000
Restricted deposits							
Replacement, operating and other reserves	425,274	408,743	332,868	134,025	312,754	10,788,693	12,402,357
Tenant security deposits	19,117	8,417	15,052	19,402	13,094	219,302	294,384
Development-in-progress	10,638	428,503	3,426	-	-	21,720,484	22,163,051
Fixed assets - net	6,055,569	3,689,408	3,800,116	1,834,541	468,505	180,753,079	196,601,218
Deferred costs - net	-	-	-	-	-	265,719	265,719
Investment in other companies	-	-	-	-	-	2,756,343	2,756,343
Total non-current assets	<u>6,510,598</u>	<u>4,535,071</u>	<u>4,151,462</u>	<u>1,987,968</u>	<u>794,353</u>	<u>218,929,620</u>	<u>236,909,072</u>
Total assets	<u>\$ 6,572,582</u>	<u>\$ 4,551,838</u>	<u>\$ 4,831,422</u>	<u>\$ 2,342,576</u>	<u>\$ 1,367,752</u>	<u>\$ 226,037,911</u>	<u>\$ 245,704,081</u>
LIABILITIES							
Current liabilities							
Accounts payable and accrued expenses	\$ 77,892	\$ 69,621	\$ 43,979	\$ 207,909	\$ 35,325	\$ 499,949	\$ 934,675
Development costs payable	-	-	-	-	-	2,169,679	2,169,679
Related parties - current portion	259,043	211,770	24,789	32,824	-	2,828,009	3,356,435
Interest payable - current portion	16,535	-	-	-	-	322,576	339,111
Notes payable, net - current portion	-	61,178	5,712	-	-	27,066,616	27,133,506
Total current liabilities	<u>353,470</u>	<u>342,569</u>	<u>74,480</u>	<u>240,733</u>	<u>35,325</u>	<u>32,886,829</u>	<u>33,933,406</u>
Tenant security deposits	16,271	18,278	15,539	19,402	13,094	234,236	316,820
Deferred income	-	9,956	-	245,127	6,773	954,180	1,216,036
Related parties - net of current portion	-	-	-	-	-	434,269	434,269
Interest payable - net of current portion	2,923,181	1,165,751	2,042,114	396,023	-	9,540,259	16,067,328
Notes payable, net - net of current portion	5,881,258	2,585,785	1,520,823	997,409	66,007	138,309,769	149,361,051
Total non-current liabilities	<u>8,820,710</u>	<u>3,779,770</u>	<u>3,578,476</u>	<u>1,657,961</u>	<u>85,874</u>	<u>149,472,713</u>	<u>167,395,504</u>
Total liabilities	<u>9,174,180</u>	<u>4,122,339</u>	<u>3,652,956</u>	<u>1,898,694</u>	<u>121,199</u>	<u>182,359,542</u>	<u>201,328,910</u>
Net assets							
Unrestricted							
Controlling interest	(4,120,598)	(1,687,007)	(321,534)	443,882	1,246,553	6,022,131	1,583,427
Non-controlling interest	-	-	-	-	-	37,656,238	37,656,238
Total unrestricted net assets	<u>(4,120,598)</u>	<u>(1,687,007)</u>	<u>(321,534)</u>	<u>443,882</u>	<u>1,246,553</u>	<u>43,678,369</u>	<u>39,239,665</u>
Temporarily restricted	1,519,000	2,116,506	1,500,000	-	-	-	5,135,506
Total net assets	<u>(2,601,598)</u>	<u>429,499</u>	<u>1,178,466</u>	<u>443,882</u>	<u>1,246,553</u>	<u>43,678,369</u>	<u>44,375,171</u>
Total liabilities and net assets	<u>\$ 6,572,582</u>	<u>\$ 4,551,838</u>	<u>\$ 4,831,422</u>	<u>\$ 2,342,576</u>	<u>\$ 1,367,752</u>	<u>\$ 226,037,911</u>	<u>\$ 245,704,081</u>

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COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED SCHEDULE OF FINANCIAL POSITION - CHP PROPERTY OPERATIONS
JUNE 30, 2017

	Senator Hotel	San Cristina Hotel	Iroquois Hotel	Island Bay Homes	CHP Villages	Tax Credit Partnerships and LLCs	Total CHP Property Operations
ASSETS							
Current assets							
Cash and cash equivalents	\$ 5,482	\$ -	\$ 7,131	\$ 21,341	\$ 17,790	\$ 670,293	\$ 722,037
Receivables							
Related parties - current portion	-	-	-	-	-	272,554	272,554
Rent, subsidy, and others	16,702	26,766	11,139	165,388	28,369	594,518	842,882
Prepaid expenses and deposits	4,946	4,360	3,207	2,511	6,989	2,483,407	2,505,420
Total current assets	<u>27,130</u>	<u>31,126</u>	<u>21,477</u>	<u>189,240</u>	<u>53,148</u>	<u>4,020,772</u>	<u>4,342,893</u>
Related party receivable - net of current portion	-	-	-	-	-	2,426,000	2,426,000
Restricted deposits							
Replacement, operating and other reserves	559,204	411,450	176,325	156,330	1,022,815	11,694,714	14,020,838
Tenant security deposits	19,107	8,593	15,045	21,079	13,094	219,184	296,102
Development-in-progress	-	2,118	-	-	-	22,548,602	22,550,720
Fixed assets - net	6,265,079	3,787,457	3,907,091	1,696,600	239,546	165,491,832	181,387,605
Deferred costs - net	-	-	-	-	-	284,601	284,601
Investment in other companies	-	-	-	-	-	2,757,199	2,757,199
Total non-current assets	<u>6,843,390</u>	<u>4,209,618</u>	<u>4,098,461</u>	<u>1,874,009</u>	<u>1,275,455</u>	<u>205,422,132</u>	<u>223,723,065</u>
Total assets	<u>\$ 6,870,520</u>	<u>\$ 4,240,744</u>	<u>\$ 4,119,938</u>	<u>\$ 2,063,249</u>	<u>\$ 1,328,603</u>	<u>\$ 209,442,904</u>	<u>\$ 228,065,958</u>
LIABILITIES							
Current liabilities							
Accounts payable and accrued expenses	\$ 60,748	\$ 23,099	\$ 24,241	\$ 215,439	\$ 70,792	\$ 459,631	\$ 853,950
Development costs payable	-	-	-	-	-	4,059,119	4,059,119
Related parties - current portion	142,426	138,367	27,311	19,851	-	882,640	1,210,595
Interest payable - current portion	16,535	-	-	-	-	200,027	216,562
Notes payable, net - current portion	-	59,117	5,434	-	-	8,122,604	8,187,155
Total current liabilities	<u>219,709</u>	<u>220,583</u>	<u>56,986</u>	<u>235,290</u>	<u>70,792</u>	<u>13,724,021</u>	<u>14,527,381</u>
Tenant security deposits	16,556	29,077	15,143	19,226	13,094	227,563	320,659
Deferred income	-	-	-	222,487	4,022	967,912	1,194,421
Related parties - net of current portion	-	-	-	-	-	484,269	484,269
Interest payable - net of current portion	2,685,566	1,113,251	1,995,000	396,023	-	7,487,137	13,676,977
Notes payable, net - net of current portion	5,642,222	2,123,940	1,524,956	997,409	66,007	135,476,123	145,830,657
Total non-current liabilities	<u>8,344,344</u>	<u>3,266,268</u>	<u>3,535,099</u>	<u>1,635,145</u>	<u>83,123</u>	<u>144,643,004</u>	<u>161,506,983</u>
Total liabilities	<u>8,564,053</u>	<u>3,486,851</u>	<u>3,592,085</u>	<u>1,870,435</u>	<u>153,915</u>	<u>158,367,025</u>	<u>176,034,364</u>
Net assets							
Unrestricted							
Controlling interest	(3,212,533)	(1,362,613)	(972,147)	192,814	1,174,688	6,041,084	1,861,293
Non-controlling interest	-	-	-	-	-	45,034,795	45,034,795
Total unrestricted net assets	<u>(3,212,533)</u>	<u>(1,362,613)</u>	<u>(972,147)</u>	<u>192,814</u>	<u>1,174,688</u>	<u>51,075,879</u>	<u>46,896,088</u>
Temporarily restricted	1,519,000	2,116,506	1,500,000	-	-	-	5,135,506
Total net assets	<u>(1,693,533)</u>	<u>753,893</u>	<u>527,853</u>	<u>192,814</u>	<u>1,174,688</u>	<u>51,075,879</u>	<u>52,031,594</u>
Total liabilities and net assets	<u>\$ 6,870,520</u>	<u>\$ 4,240,744</u>	<u>\$ 4,119,938</u>	<u>\$ 2,063,249</u>	<u>\$ 1,328,603</u>	<u>\$ 209,442,904</u>	<u>\$ 228,065,958</u>

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COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS - CHP PROGRAM SERVICES
FOR THE YEAR ENDED JUNE 30, 2018

	General	Solutions SF	5th Street Apartments	Civic Center	Total CHP Program Services
Change in unrestricted net assets					
Revenue and other support					
Government grants	\$ 5,752,501	\$ 141,953	\$ 1,267,667	\$ 1,685,149	\$ 8,847,270
Contributions - unrestricted	1,639,926	34,183	44,898	-	1,719,007
Contributions - restricted	110,000	-	80,102	-	190,102
In-kind contributions	23,133	-	-	-	23,133
Contract service income	-	2,580,996	-	-	2,580,996
Rent and subsidy income - net	-	-	45,074	167,011	212,085
Developer fees	2,225,000	-	-	-	2,225,000
Related party fees	3,264,738	1,138,096	5,888	-	4,408,722
Loss from investments in other companies	(365,400)	-	-	-	(365,400)
Interest and other income	100,643	-	5,979	8,500	115,122
Investment income	250	-	-	-	250
Total revenue and other support	<u>12,750,791</u>	<u>3,895,228</u>	<u>1,449,608</u>	<u>1,860,660</u>	<u>19,956,287</u>
Expenses					
Program services	7,654,482	3,978,292	1,303,992	1,773,262	14,710,028
Management and general	3,212,674	-	-	-	3,212,674
Fundraising	577,931	-	-	-	577,931
Total expenses before depreciation and amortization	<u>11,445,087</u>	<u>3,978,292</u>	<u>1,303,992</u>	<u>1,773,262</u>	<u>18,500,633</u>
Change in net assets before depreciation and amortization	1,305,704	(83,064)	145,616	87,398	1,455,654
Depreciation and amortization	<u>33,998</u>	<u>-</u>	<u>50,661</u>	<u>548,721</u>	<u>633,380</u>
Change in net assets	1,271,706	(83,064)	94,955	(461,323)	822,274
Net assets, beginning of year	<u>7,699,980</u>	<u>99,871</u>	<u>90,101</u>	<u>1,786,577</u>	<u>9,676,529</u>
Net assets, end of year	<u>\$ 8,971,686</u>	<u>\$ 16,807</u>	<u>\$ 185,056</u>	<u>\$ 1,325,254</u>	<u>\$ 10,498,803</u>

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COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS - CHP PROGRAM SERVICES
FOR THE YEAR ENDED JUNE 30, 2017

	General	Solutions SF	5th Street Apartments	Civic Center	Total CHP Program Services
Change in unrestricted net assets					
Revenue and other support					
Government grants	\$ 5,605,895	\$ 203,148	\$ 1,111,371	\$ 2,733,043	\$ 9,653,457
Contributions - unrestricted	1,320,287	78,700	100,000	-	1,498,987
Contributions - restricted	200,000	51,500	-	-	251,500
In-kind contributions	58,997	-	-	-	58,997
Contract service income	-	2,250,546	-	-	2,250,546
Rent and subsidy income - net	-	-	42,511	188,742	231,253
Developer fees	990,000	-	-	-	990,000
Related party fees	3,163,718	919,405	-	-	4,083,123
Loss from investment in other companies	1,071,428	-	-	-	1,071,428
Interest and other income	143,997	-	6,326	368	150,691
Investment income	466	-	-	-	466
Total revenue and other support	<u>12,554,788</u>	<u>3,503,299</u>	<u>1,260,208</u>	<u>2,922,153</u>	<u>20,240,448</u>
Expenses					
Program services	7,254,214	3,488,338	1,276,848	1,645,669	13,665,069
Management and general	3,685,852	-	-	-	3,685,852
Fundraising	464,564	-	-	-	464,564
Total expenses before depreciation and amortization	<u>11,404,630</u>	<u>3,488,338</u>	<u>1,276,848</u>	<u>1,645,669</u>	<u>17,815,485</u>
Change in net assets before depreciation and amortization	1,150,158	14,961	(16,640)	1,276,484	2,424,963
Depreciation and amortization	<u>65,336</u>	<u>-</u>	<u>50,426</u>	<u>137,180</u>	<u>252,942</u>
Change in net assets	1,084,822	14,961	(67,066)	1,139,304	2,172,021
Net assets, beginning of year	<u>6,615,158</u>	<u>84,910</u>	<u>157,167</u>	<u>647,273</u>	<u>7,504,508</u>
Net assets, end of year	<u>\$ 7,699,980</u>	<u>\$ 99,871</u>	<u>\$ 90,101</u>	<u>\$ 1,786,577</u>	<u>\$ 9,676,529</u>

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COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS - CHP PROPERTY OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2018

	Senator Hotel	San Cristina Hotel	Iroquois Hotel	Island Bay Homes	CHP Villages	Tax Credit Partnerships and LLCs	Total CHP Property Operations
Change in unrestricted net assets							
Revenue and other support							
Rent and subsidy income - net	\$ 1,020,911	\$ 753,079	\$ 1,862,868	\$ 1,342,322	\$ 883,899	\$ 8,212,531	\$ 14,075,610
Operating subsidy grants	-	60,743	-	380,897	-	3,451,760	3,893,400
Loss from investments in other companies	-	-	-	-	-	(856)	(856)
Interest and other income	1,244	347	191	154,310	1,262	174,341	331,695
Total revenue and other support	<u>1,022,155</u>	<u>814,169</u>	<u>1,863,059</u>	<u>1,877,529</u>	<u>885,161</u>	<u>11,837,776</u>	<u>18,299,849</u>
Expenses							
Program services	<u>1,302,613</u>	<u>957,988</u>	<u>997,658</u>	<u>1,474,397</u>	<u>746,017</u>	<u>11,412,363</u>	<u>16,891,036</u>
Change in net assets before deferred interest, depreciation and amortization	<u>(280,458)</u>	<u>(143,819)</u>	<u>865,401</u>	<u>403,132</u>	<u>139,144</u>	<u>425,413</u>	<u>1,408,813</u>
Deferred interest	237,615	52,500	90,000	-	-	2,008,178	2,388,293
Depreciation and amortization	<u>389,992</u>	<u>128,075</u>	<u>124,788</u>	<u>152,064</u>	<u>67,279</u>	<u>5,929,053</u>	<u>6,791,251</u>
Total deferred interest, depreciation and amortization	<u>627,607</u>	<u>180,575</u>	<u>214,788</u>	<u>152,064</u>	<u>67,279</u>	<u>7,937,231</u>	<u>9,179,544</u>
Change in net assets	(908,065)	(324,394)	650,613	251,068	71,865	(7,511,818)	(7,770,731)
Net assets, beginning of year	(1,693,533)	753,893	527,853	192,814	1,174,688	51,075,879	52,031,594
Capital contributions - non-controlling interest	-	-	-	-	-	116,708	116,708
Increase in net assets from the consolidation of San Cristina, L.P.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,400)</u>	<u>(2,400)</u>
Net assets, end of year	<u>\$ (2,601,598)</u>	<u>\$ 429,499</u>	<u>\$ 1,178,466</u>	<u>\$ 443,882</u>	<u>\$ 1,246,553</u>	<u>\$ 43,678,369</u>	<u>\$ 44,375,171</u>

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COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS - CHP PROPERTY OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017

	Senator Hotel	San Cristina Hotel	Iroquois Hotel	Island Bay Homes	CHP Villages	Tax Credit Partnerships and LLCs	Total CHP Property Operations
Change in unrestricted net assets							
Revenue and other support							
Rent and subsidy income - net	\$ 1,006,606	\$ 799,469	\$ 959,782	\$ 1,096,636	\$ 946,872	\$ 4,528,555	\$ 9,337,920
Operating subsidy grants	-	24,175	-	349,490	-	4,395,383	4,769,048
Related party fees	-	14,400	-	-	-	-	14,400
Loss from investment in other companies	-	-	-	-	-	(810)	(810)
Interest and other income	426	732	1,355	33,099	2,120	147,264	184,996
Total revenue and other support	<u>1,007,032</u>	<u>838,776</u>	<u>961,137</u>	<u>1,479,225</u>	<u>948,992</u>	<u>9,070,392</u>	<u>14,305,554</u>
Expenses							
Program services	<u>1,208,052</u>	<u>911,504</u>	<u>959,730</u>	<u>1,399,762</u>	<u>708,949</u>	<u>10,241,549</u>	<u>15,429,546</u>
Change in net assets before deferred interest depreciation and amortization, and gain on involuntary conversion	<u>(201,020)</u>	<u>(72,728)</u>	<u>1,407</u>	<u>79,463</u>	<u>240,043</u>	<u>(1,171,157)</u>	<u>(1,123,992)</u>
Deferred interest	217,813	52,500	90,000	-	-	2,201,234	2,561,547
Depreciation and amortization	<u>306,105</u>	<u>125,703</u>	<u>110,561</u>	<u>102,156</u>	<u>13,321</u>	<u>5,719,814</u>	<u>6,377,660</u>
Total deferred interest, depreciation and amortization	523,918	178,203	200,561	102,156	13,321	7,921,048	8,939,207
Gain on involuntary conversion	<u>167,807</u>	-	-	-	-	-	<u>167,807</u>
Change in net assets	(557,131)	(250,931)	(199,154)	(22,693)	226,722	(9,092,205)	(9,895,392)
Net assets, beginning of year	(1,136,402)	1,004,824	727,007	215,507	947,966	57,793,924	59,552,826
Capital contributions - non-controlling interest	-	-	-	-	-	2,456,660	2,456,660
Syndication costs	-	-	-	-	-	(82,500)	(82,500)
Net assets, end of year	<u>\$ (1,693,533)</u>	<u>\$ 753,893</u>	<u>\$ 527,853</u>	<u>\$ 192,814</u>	<u>\$ 1,174,688</u>	<u>\$ 51,075,879</u>	<u>\$ 52,031,594</u>

see report of independent auditors

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor / Pass-Through Grantor / Program Title:	Federal CFDA No.	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Community Development Block Grants Cluster:		
Community Development Block Grants/Entitlement Grants:	14.218	
Pass-through awards:		
City and County of San Francisco, Mayor's Office of Housing:		
Housing Site Acquisition Program, San Cristina Hotel		\$ 2,116,506
Housing Development Grants, Rehabilitation Administration		46,663
Workforce Development Grants, Job Readiness Services		75,000
Workforce Development Grants, Occupation Skills Training		75,000
Community Development Block Grants/Special Purpose Grants/ Insular Areas:	14.225	
Pass-through awards:		
City and County of San Francisco, Mayor's Office of Housing:		
CDBG Program Loan, San Cristina Hotel		375,165
Total cluster		2,688,334
Community Development Block Grants/Special Purpose Grants/ Insular Areas (Recovery Act Funded):	14.254	
Pass-through awards:		
City and County of San Francisco, Mayor's Office of Housing:		
Supporting Housing Program Loan, Iroquois Hotel		1,500,000
Section 8 Housing Choice Vouchers:	14.871	
Pass-through awards:		
San Francisco Housing Authority:		
Island Bay		802,231
CHP Villages		1,171,873
Total		1,974,104
Section 8 Cluster:		
Pass-through awards:		
San Francisco Housing Authority:		
Lower Income Housing Assistance Program		
Section 8 Moderate Rehabilitation for Iroquois and Senator	14.856	2,370,450
Section 8 Moderate Rehabilitation		
Single Room Occupancy for San Cristina Hotel	14.249	544,400
Total cluster		2,914,850
Shelter Plus Care:	14.238	
Pass-through awards:		
City and County of San Francisco, Department of Human Services:		
Island Bay Homes – Project Based Rental Assistance		254,515

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor / Pass-Through Grantor / Program Title:	Federal CFDA No.	Federal Expenditures
Continuum of Care Program:	14.267	
Direct award:		
Iroquois Hotel		182,620
Pass-through awards:		
City and County of San Francisco, Department of Human Services:		
Integrated Services Network (ISN) – Tenant Services		43,611
ISN – Job Training Program		77,024
Supportive Housing Employment Collaborative (SHEC)		158,954
Total		462,209
Home Investments Partnerships Program:	14.239	
Pass-through awards:		
City and County of San Francisco:		
Housing Development Grants, Affordable Housing Development		35,975
Total U.S. Department of Housing and Urban Development		9,829,987
Department of Labor:		
WIA/WIOA Adult Program:	17.258	
Pass-through awards:		
State of California, Employment Development Department:		
Workforce Innovation and Opportunity Act		9,806
Corporation for National and Community Service:		
Social Innovation Fund Program	94.019	
Pass-through awards:		
REDF:		
Social Innovation Fund Project		141,954
Department of Health and Human Services:		
Medical Assistance Program:	93.778	
Pass-through awards:		
City and County of San Francisco, Human Services Agency:		
Supportive Tenant Services Grant		1,019,643
United States Department of Agriculture (USDA):		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	
Pass-through awards:		
City and County of San Francisco, Department of Human Services:		
Employment Services for At Risk and Formerly Homeless		141,666
SNAP to Skills:		150,000
Total		291,666
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 11,293,056

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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 minimis 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.

Federal grants outstanding

The Organization had the following repayable grant balance outstanding as of June 30, 2018. 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>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grant – San Cristina	14.218	\$ 2,116,506

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal loans outstanding

The Organization had the following loans outstanding as of June 30, 2018. These loans require continuing compliance, and these balances are included in the Schedule.

<u>CFDA No.</u>	<u>Program title</u>	<u>Loans received in the current period</u>	<u>Prior year loans with continuing compliance requirements</u>	<u>Total outstanding loans</u>
14.254	Community Development Block Grant/Special Purpose Grants (Recovery (Act Funded)	\$ -	\$ 1,500,000	\$ 1,500,000
14.225	Community Development Block Grants/Special Purpose Grants	\$ 375,165	\$ -	\$ 375,165



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, 2018 and 2017, 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 January 29, 2019.

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
January 29, 2019



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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2018.

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
January 29, 2019

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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_____
Noncompliance material to financial statements noted?	_____	_____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
Audit findings required to be reported in accordance with 2 CFR section 200.516(a)?	_____	_____X_____

Identification of major programs:	<u>Name of Federal Program or Cluster</u>	
14.254	Community Development Block Grants/Special Purpose Grants/Insular Areas (Recovery Act Funded)	
14.871	Section 8 Housing Choice Vouchers	
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, 2018

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.