AFFORDABLE HOUSING CLEARINGHOUSE

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2017 AND 2016

HOLTHOUSE | CARLIN | VAN TRIGT LLP

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Affordable Housing Clearinghouse:

We have audited the accompanying financial statements of Affordable Housing Clearinghouse which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Affordable Housing Clearinghouse as of June 30, 2017 and 2016, and the change in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
November 30, 2017

AFFORDABLE HOUSING CLEARINGHOUSE

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30,	**2017**	**2016**
Assets		
Current assets		
Cash and cash equivalents	$ 736,548	$ 682,129
Investments, at fair value	23,687	59,317
Fees receivable	600	4,800
Total current assets	760,835	746,246
Restricted cash	306,313	331,736
Property, at cost		
Building and improvements	367,733	251,600
Computer and software	4,137	-
Total property	371,870	251,600
Less: accumulated depreciation	(99,043)	(93,040)
Net property	272,827	158,560
Investment in limited liability companies	217,362	103,047
Total assets	$ 1,557,337	$ 1,339,589
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 14,122	$ 17,651
Total current liabilities	14,122	17,651
Tenant security deposits	3,650	4,150
Notes payable	116,133	-
Total liabilities	133,905	21,801
Commitments and contingencies		
Net assets		
Unrestricted net assets	1,183,705	1,078,061
Temporarily restricted	239,727	239,727
Total net assets	1,423,432	1,317,788
Total liabilities and net assets	$ 1,557,337	$ 1,339,589

See notes to financial statements.

AFFORDABLE HOUSING CLEARINGHOUSE

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED JUNE 30,	2017 Unrestricted	2017 Temporarily Restricted	2017 Total	2016 Unrestricted	2016 Temporarily Restricted	2016 Total
Revenue and other support:						
Gross potential rent, net of vacancies	$ 61,798	$ -	$ 61,798	$ 69,417	$ -	$ 69,417
Contributions	273,849	-	273,849	356,640	-	356,640
Program revenue	74,107	-	74,107	63,337	-	63,337
Other revenue	6,640	-	6,640	5,469	-	5,469
Recovery of notes receivable secured by real estate	48,000	-	48,000	-	49,500	49,500
Equity income in LLCs	5,278	-	5,278	-	-	-
Interest and dividend income	478	-	478	3,313	-	3,313
Net assets released from restrictions	-	-	-	73,483	(73,483)	-
Total revenue and other support	470,150	-	470,150	571,659	(23,983)	547,676
Expenses:						
Program services:						
Housing program	276,668	-	276,668	299,786	-	299,786
Supporting services:						
Management and general	75,533	-	75,533	60,852	-	60,852
Fundraising	12,305	-	12,305	11,277	-	11,277
Total expenses	364,506	-	364,506	371,915	-	371,915
Change in net assets	105,644	-	105,644	199,744	(23,983)	175,761
Net assets, beginning of year	1,078,061	239,727	1,317,788	878,317	263,710	1,142,027
Net assets, end of year	$ 1,183,705	$ 239,727	$ 1,423,432	$ 1,078,061	$ 239,727	$ 1,317,788

See notes to financial statements.

AFFORDABLE HOUSING CLEARINGHOUSE

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENED JUNE 30, 2017

	Program Services	Supporting Services		
	Housing Program	Management and General	Fundraising	Total
Advertising	$ 3,999	$ -	$ -	$ 3,999
Automobile	1,625	90	90	1,805
Bank service charges	1,065	56	-	1,121
Daisy property expenses	30,344	-	-	30,344
Daisy property depreciation	6,003	-	-	6,003
Dues and subscriptions	-	1,886	-	1,886
Employee benefits	2,944	-	-	2,944
Health insurance	6,090	9,135	-	15,225
Insurance	5,898	-	-	5,898
Licenses/permits	1,232	-	-	1,232
Meals/entertainment	134	135	-	269
Miscellaneous	-	1,338	-	1,338
Office expenses	3,674	-	-	3,674
Payroll taxes	10,913	6,366	909	18,188
Postage and delivery	1,780	-	94	1,874
Printing and reproduction	88	-	-	88
Professional fees - accounting	16,082	2,838	-	18,920
Professional fees - legal	-	3,967	-	3,967
Professional fees - Consulting	-	1,800	-	1,800
Rent	10,156	-	-	10,156
Repairs and maintenance	1,689	1,126	-	2,815
Salaries and wages	168,183	44,849	11,212	224,244
Seminars and education	2,045	108	-	2,153
Telephone	1,839	1,839	-	3,678
Workers compensation	885	-	-	885
	$ 276,668	$ 75,533	$ 12,305	$ 364,506

See notes to financial statements.

AFFORDABLE HOUSING CLEARINGHOUSE

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENED JUNE 30, 2016

	Program Services	Supporting Services		
	Housing Program	Management and General	Fundraising	Total
Advertising	$ 5,075	$ -	$ -	$ 5,075
Automobile	1,919	226	113	2,258
Bank service charges	222	-	-	222
Daisy property expenses	26,313	-	-	26,313
Daisy property depreciation	6,003	-	-	6,003
Dues and subscriptions	-	1,409	-	1,409
Employee benefits	2,534	-	-	2,534
Health insurance	5,512	8,269	-	13,781
Insurance	5,922	-	-	5,922
Licenses/permits	3,121	-	-	3,121
Meals/entertainment	92	-	-	92
Miscellaneous	-	1,752	-	1,752
Office expenses	2,740	-	-	2,740
Special events	37,872	-	-	37,872
Payroll taxes	12,272	3,273	818	16,363
Postage and delivery	831	416	139	1,386
Printing and reproduction	117	-	-	117
Professional fees - accounting	18,581	3,279	-	21,860
Rent	10,156	-	-	10,156
Repairs and maintenance	1,696	1,131	-	2,827
Salaries and wages	151,852	40,494	10,123	202,469
Seminars and education	1,422	167	84	1,673
Staff development	1,289	-	-	1,289
Telephone	3,527	436	-	3,963
Workers compensation	718	-	-	718
	$ 299,786	$ 60,852	$ 11,277	$ 371,915

See notes to financial statements.

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 105,644	$ 175,761
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Recovery of fully reserved note receivable	(48,000)	(49,500)
Equity income in LLCs	(5,278)	-
Unrealized gain on investments	-	(113)
Depreciation	6,003	6,003
Changes in operating assets and liabilities		
Prepaid expenses and other assets	-	4,505
Fees receivable	4,200	123,143
Real estate inventory	-	-
Note receivable	48,000	49,500
Deposits and other assets	-	-
Accounts payable and accrued expenses	(3,529)	(4,365)
Tenant security deposits liability	(500)	-
Net cash provided by operating activities	106,540	304,934
Cash flows from investing activities:		
Contributions to investment in limited liability companies	(109,037)	(77,533)
Distributions from investment in limited liability companies	-	23,037
Proceeds from investments	35,630	-
Expenditures for equipment	(4,137)	-
Expenditures for building and improvements	(116,133)	(11,500)
Net change in restricted cash	25,423	20,629
Net cash used in investing activities	(168,254)	(45,367)
Cash flows from financing activities:		
Proceeds from borrowings	116,133	-
Cash provided by financing activities	116,133	-
Net change in cash and cash equivalents	54,419	259,567
Cash and cash equivalents, beginning of year	682,129	422,562
Cash and cash equivalents, end of year	$ 736,548	$ 682,129

See notes to financial statements.

1. ORGANIZATION AND NATURE OF ACTIVITIES

Affordable Housing Clearinghouse (the Organization or AHC) is a California not-for-profit organization, dedicated to providing affordable housing in Southern California, for low-to-moderate income individuals through (a) providing homebuyers education and credit counseling; (b) reviewing and compiling loan applications, as well as coordinating loan applicants with lenders; (c) acquiring, rehabilitating or constructing, and reselling affordable housing; and (d) owning and managing low-income permanent rental housing (Daisy property).

The Organization obtains membership contributions from its network of lending institutions on a voluntary basis.

The Organization and Clearinghouse Community Development Financial Institution (Clearinghouse CDFI) (collectively, Partners) have partnered, through a joint venture, to identify and acquire eligible distressed properties. The properties are acquired, rehabilitated and sold to low- or moderate-income families or to first-time home buyers. The Organization manages all stages of the process. In addition, the activities of this joint venture are maintained 100% by the Organization. There were no joint venture activities during the years ended June 30, 2017 and 2016. The Organization holds common stock in and also has financing transactions with Clearinghouse CDFI in the normal course of business (Note 3).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization.

- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. As of June 30, 2017 and 2016, there were temporarily restricted net assets of $239,727, respectively, which consist primarily of reuse funds received under the Neighborhood Stabilization Program (Note 4).

- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity. As of June 30, 2017 and 2016, the Organization had no permanently restricted net assets.

In addition, the Organization reports all of its expenses in the unrestricted fund, regardless of the source of the funds for the expenditures.

Statements of Cash Flows The Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash The Organization holds funds in connection with one of its federal grants in a restricted account to be reused for allowable activities (Note 4).

Investments Investments are stated at fair value and consist of long-term certificate of deposits.

Investments in Limited Liability Companies The Organization accounts for its interest in limited liability companies using the equity method of accounting (Note 6). Impairment of property owned by the limited liability companies is reviewed periodically. No adjustment was required for 2017 and 2016.

Real Estate Inventory Real estate inventory is stated at the lower of cost or net realizable value (estimated fair value, less selling costs) and include initial acquisition cost, direct rehabilitation/construction costs, real estate taxes and interest. Interest costs are capitalized until construction is substantially complete. For the years ended June 30, 2017 and 2016, the Organization did not incur any interest on real estate inventory. Selling costs are expensed as incurred.

The Organization rehabilitates single family detached homes. As of June 30, 2017 and 2016, there were no homes in development or held for sale. The homes under development and unsold homes, if any, are included in real estate inventory in the accompanying statement of financial position.

Property Property includes real estate, property improvements and equipment at historical cost. During 2017, the Organization commenced the rehabilitation of its Daisy property which is expected to be completed by December 2017. Rehabilitation costs of $116,133 incurred as of June 30, 2017 are included in building and improvements. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Buildings are depreciated over 40 years and furniture, equipment and minor improvements are depreciated over 5 to 7 years.

The Organization capitalizes expenditures or betterments that materially increase asset lives and charges ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in operations. Abandoned projects are expensed when management determines the project is not feasible.

Management reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property including any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, the Organization recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment losses were recognized in 2017 or 2016.

Revenue and Support Revenues from contributions are recognized pursuant to the terms specified by the donor and are recognized at the earlier of the date of receipt of funds or the date of a formal, unconditional pledge from known donors. Revenues and cost of revenues from home sales are recorded at the time each home is delivered and title and possession are transferred to the buyer. Homes sold under the National Stabilization Program with the Neighborhood Housing Services of

Orange County have a one-year limited warranty against construction defects. Based upon management's assessment of historical experience factors, management determined there are no estimated future warranty costs relating to the homes sold as of June 30, 2017 and 2016, accordingly, no liability has been accrued.

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

Revenues from rental properties are reflected as gross potential rent, net of vacancies.

Revenues from special events include individual and corporate contributions and are recognized when the event is held. The related expenses are recognized on the date of the event. The contributions received for special events scheduled to occur after year-end are recorded as deferred revenues and recognized as revenues on the date of the event. There were no revenue revenues received and related direct expenses incurred for the year ended June 30, 2017.

Income Taxes The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) under the California Revenue and Taxation Code. In addition, the Organization does not have any income which would be subject to unrelated business income taxes, as defined. Accordingly, there is no provision for income taxes in these financial statements and the Organization has no other tax positions which must be considered for disclosure. The Organization is required to file tax returns with the Internal Revenue Service (IRS) and other taxing authorities. With few exceptions, the Organization is no longer subject to income tax examinations by tax authorities for years before 2012. There are no current reviews pending.

Concentrations of Business and Credit Risk The Organization receives a significant amount of revenue from the development of affordable housing as well as from members of the network of lending institutions. These sources of funds are dependent upon the continued successful development of affordable housing as well as the availability of funds from housing programs.

The Organization has investments which are subject to increases or decreases in market value. The amounts are not guaranteed by the investment company which holds and invests the funds. The Organization does not believe there is a significant risk associated with its investment policy.

Increased developments costs, supply and labor shortages, entitlement delays and other factors may negatively affect future results.

The Organization's cash and cash equivalents are maintained in various financial institutions. The Organization has exposure to credit risk to the extent cash and cash equivalents exceed amounts covered by federal deposit insurance. The Organization believes that its credit risk is not significant.

In addition, the Organization operates in a heavily regulated environment. The operations of the projects are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the U.S. Department of Housing and Urban Development (HUD). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

The Organization is generally exempt from real property taxes with the County Assessor. In the event the County Assessor does not grant the exemption, the Organization's cash flow would be adversely impacted.

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

Functional Expenses The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated to direct program services or management and general and fundraising expense. The functional classifications are defined as follows:

- Program service expenses consist of costs incurred in connection with providing services and conducting programs for loan assistance and housing program.
- Management and general expenses consist of costs incurred in connection with the overall activities of the Organization, which are not allocable to another functional expense category.
- Fundraising expenses consist of costs incurred in connection with activities related to obtaining grants and activities designed to generate revenue.

Reclassifications Certain reclassifications of balances have been made in the 2016 comparative information to conform to the presentation in the accompanying 2017 financial statements.

Reclassifications were made as of June 30, 2016 to properly reflect restricted cash as unrestricted. The effect of these reclassifications had no impact on the Organization's net assets or change in net assets in 2016.

3. RELATED PARTY

Common Stock The Organization received 1,000 shares of Class B common stock in Clearinghouse CDFI, which is limited to AHC. As the Class B holder, AHC is entitled to appoint seven of thirteen Clearinghouse CDFI directors. The structure is intended to assure accountability to AHC, as a community developer partner, and the low-income targeted population they serve. In addition, AHC has two common board members with Clearinghouse CDFI. Management has determined that the stock in Clearinghouse CDFI has no value as of June 30, 2017 and 2016.

Joint Venture In connection with the Organization's memo of understanding agreement with Clearinghouse CDFI, the Partners are required to fund 30% of the acquisition price, of which 1.5% and 28.5% will be funded by the Organization and Clearinghouse CDFI, respectively. Additionally, the Organization has received a line-of-credit from Clearinghouse CDFI which will be used for the balance (70%) of the purchase price. Any profits or losses from the venture will be split 50-50 between the Organization and Clearinghouse CDFI. During the years ended June 30, 2017 and 2016, the Organization had no joint venture activity with Clearinghouse CDFI.

The Organization is on a month-to-month lease with Clearinghouse CDFI for its office space. The monthly lease payments were $923 as of June 30, 2017 and 2016. Rental expense incurred for the years ended June 30, 2017 and 2016 amounted to $10,156 and $10,156, respectively. In addition, the Organization shares costs with Clearinghouse CDFI which include phone, utilities and supplies.

4. GOVERNMENT GRANT

Neighborhood Stabilization Program The Organization was awarded a $575,912 contract by the County of Orange to administer a Community Development Block Grant project under the county's Neighborhood Stabilization Program (NSP). The terms of this contract require the Organization to purchase no less than 6 single-family abandoned and foreclosed homes for homeownership activities of which at least 25% of the total units will be set aside for 50% Area Median Income (AMI) households. AMI is defined by HUD.

Income generated from this agreement is authorized to be retained by the Organization and applied towards allowed program activity. The funds are held in a restricted account as of June 30, 2017 and 2016. The grant is subject to ongoing monitoring of the original acquisition obligation through the term of the contract.

5. NOTES RECEIVABLE SECURED BY DEEDS OF TRUST

The Organization holds second deeds of trust secured by real property from the sale of residential homes. The notes are secured by the residential property and will be forgiven if the purchaser keeps the property for 15 years, if the property is sold to another low-income family, or is sold back to the Organization for resale to another qualifying low-income family. Accordingly, the Organization has fully reserved these notes $61,800 and $109,800 as of June 30, 2017 and 2016, respectively, as it is not expected they will be repaid.

During the years ended June 30, 2017 and 2016, the Organization collected a note receivable in the amount of $48,000 and $49,500 due to the home owner's sale of the property prior to the 15 year compliance period. The related allowance was also removed from the Organization's accounts.

As of June 30, 2017 and 2016, the balances for such notes and the related reserves are as follows:

	Balance 7/1/16	Additions	Reserve	Balance 6/30/17
Notes receivable	$ 109,800	$ -	$ (48,000)	$ 61,800
Reserve	(109,800)	-	48,000	(61,800)
Notes receivable, net	$ -	$ -	$ -	$ -

	Balance 7/1/15	Additions	Reserve	Balance 6/30/16
Notes receivable	$ 159,300	$ -	$ (49,500)	$ 109,800
Reserve	(159,300)	-	49,500	(109,800)
Notes receivable, net	$ -	$ -	$ -	$ -

6. INVESTMENT IN LIMITED LIABILITY COMPANIES

The Organization invested in two separate 50% interests in limited liability companies (LLCs) named Mustang Affordable Homes, LLC (Mustang) and Picadilly Anaheim Affordable Homes, LLC (Picadilly). Their purpose is to develop affordable housing. These developments were to be financed from Redevelopment Agency (RDA) proceeds. The RDA was dissolved in 2011 and performance of existing commitments was transferred to a successor agency which has elected not to proceed with the Mustang development. The successor agency terminated the development project in December 2015 and the land was transferred on February 22, 2016. AHC accounts for its interests in LLCs on the equity basis of accounting. A summary of the LLCs and the results of their operations as of and for the year ended June 30, 2017 and 2016 are as follows:

		2017		2016
	(unaudited) **Mustang**	*(unaudited)* **Picadilly**	*(unaudited)* **Total**	*(unaudited)* **Total**
Assets				
Cash and other assets	$ 2,522	$ 2,086	$ 4,608	$ 34,733
Development costs	-	660,414	660,414	105,012
Property	-	-	-	10,000
Total assets	$ 2,522	$ 662,500	$ 665,022	$ 149,745
Liabilities				
Accounts payable	$ -	$ 44,398	$ 44,398	$ -
Long-term debt	-	347,184	347,184	-
Total liabilities	-	391,582	391,582	-
Members' equity	2,522	270,918	273,440	149,745
Total liabilities and members' equity	$ 2,522	$ 662,500	$ 665,022	$ 149,745
Revenues	$ -	$ -	$ -	$ 4,347
Expenses	(1,400)	(225)	(1,625)	-
Net loss	$ (1,400)	$ (225)	$ (1,625)	$ 4,347

7. NOTE PAYABLE

In November 2016, the Organization entered into a Multi-Family Rehabilitation loan from the City of Long Beach with available borrowings of $315,000 for the rehabilitation of the Daisy property. The loan is noninterest bearing with monthly payments beginning January 1, 2022 and maturing on December 1, 2037. As of June 30, 2017, the Organization had a balance of $116,133.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events that have occurred through the independent auditor's report date, which is the date that the financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements.