

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2016
WITH COMPARATIVE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015



AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
JUNE 30, 2016
WITH COMPARATIVE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1 - 2
Financial Statements with Comparative Information	
Statement of Financial Position	3
Statement of Activities and Change in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 15



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, 2016, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2016, and the change in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report
(Continued)

Report on Summarized Comparative Information

We have previously audited the Affordable Housing Clearinghouse's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holt House Carlin & Van Trest LLP

Westlake Village, California
February 17, 2017

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 667,139	\$ 407,572
Investments, at fair value	59,317	59,204
Fees receivable	4,800	127,943
Prepaid expenses and other assets	-	4,505
Total current assets	731,256	599,224
Restricted cash	346,726	367,355
Property, at cost		
Building and improvements	251,600	240,100
Less: accumulated depreciation	(93,040)	(87,037)
Net property	158,560	153,063
Investment in limited liability companies	103,047	48,551
Total assets	\$ 1,339,589	\$ 1,168,193
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 17,651	\$ 22,016
Total current liabilities	17,651	22,016
Tenant security deposits	4,150	4,150
Total liabilities	21,801	26,166
Commitments and contingencies		
Net assets		
Unrestricted net assets	1,078,061	878,317
Temporarily restricted	239,727	263,710
Total net assets	1,317,788	1,142,027
Total liabilities and net assets	\$ 1,339,589	\$ 1,168,193

See notes to financial statements.

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenue and other support:				
Real estate sales - NSP	\$ -	\$ -	\$ -	\$ 443,681
Gross potential rent, net of vacancies	69,417	-	69,417	65,623
Contributions	356,640	-	356,640	180,866
Program revenue	63,337	-	63,337	29,079
Other revenue	5,469	-	5,469	-
Recovery of notes receivable secured by real estate	-	49,500	49,500	-
Interest and dividend income	3,313	-	3,313	971
Net assets released from restrictions	<u>73,483</u>	<u>(73,483)</u>	<u>-</u>	<u>-</u>
 Total revenue and other support	 <u>571,659</u>	 <u>(23,983)</u>	 <u>547,676</u>	 <u>720,220</u>
 Expenses:				
Program services:				
Housing program	299,786	-	299,786	669,510
Supporting services:				
Management and general	60,852	-	60,852	70,259
Fundraising	<u>11,277</u>	<u>-</u>	<u>11,277</u>	<u>11,996</u>
 Total expenses	 <u>371,915</u>	 <u>-</u>	 <u>371,915</u>	 <u>751,765</u>
 Change in net assets	 199,744	 (23,983)	 175,761	 (31,545)
 Net assets, beginning of year	 <u>878,317</u>	 <u>263,710</u>	 <u>1,142,027</u>	 <u>1,173,572</u>
 Net assets, end of year	 <u>\$ 1,078,061</u>	 <u>\$ 239,727</u>	 <u>\$ 1,317,788</u>	 <u>\$ 1,142,027</u>

See notes to financial statements.

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Supporting Services		2016 Total	2015 Total
	Housing Program	Management and General	Fundraising		
Advertising	\$ 5,075	\$ -	\$ -	\$ 5,075	\$ 1,864
Automobile	1,919	226	113	2,258	2,527
Bad debt	-	-	-	-	-
Bank service charges	222	-	-	222	183
Daisy property expenses	26,313	-	-	26,313	33,818
Daisy property depreciation	6,003	-	-	6,003	6,003
Dues and subscriptions	-	1,409	-	1,409	1,285
Employee benefits	2,534	-	-	2,534	3,032
Equity in loss of investment in LLCs	-	-	-	-	6,300
Fundraising	-	-	-	-	-
Health insurance	5,512	8,269	-	13,781	21,613
Insurance	5,922	-	-	5,922	6,178
Interest expense	-	-	-	-	-
Licenses/permits	3,121	-	-	3,121	1,316
Loss on real estate	-	-	-	-	-
Meals/entertainment	92	-	-	92	201
Miscellaneous	-	1,752	-	1,752	1,851
Office expenses	2,740	-	-	2,740	1,732
Office supplies	-	-	-	-	-
Special events	37,872	-	-	37,872	-
Payroll taxes	12,272	3,273	818	16,363	17,322
Postage and delivery	831	416	139	1,386	1,841
Printing and reproduction	117	-	-	117	508
Professional fees - accounting	18,581	3,279	-	21,860	24,877
Professional fees - legal	-	-	-	-	-
Real estate cost of sales	-	-	-	-	393,673
Rent	10,156	-	-	10,156	11,913
Repairs and maintenance	1,696	1,131	-	2,827	3,364
Reserve - notes receivable	-	-	-	-	-
Salaries and wages	151,852	40,494	10,123	202,469	203,570
Seminars and education	1,422	167	84	1,673	1,670
Staff development	1,289	-	-	1,289	1,066
Telephone	3,527	436	-	3,963	3,154
Utilities	-	-	-	-	-
Workers compensation	718	-	-	718	904
	<u>\$ 299,786</u>	<u>\$ 60,852</u>	<u>\$ 11,277</u>	<u>\$ 371,915</u>	<u>\$ 751,765</u>

See notes to financial statements.

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 175,761	\$ (31,545)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Recovery of fully reserved note receivable	(49,500)	-
Loss on real estate	-	
Equity in loss of investment in LLCs	-	6,300
Unrealized gain on investments	(113)	(573)
Depreciation	6,003	6,003
Change in operating assets and liabilities		
Prepaid expenses and other assets	4,505	(2,970)
Fees receivable	123,143	(127,943)
Real estate inventory	-	310,007
Note receivable	49,500	-
Deposits and other assets	-	834
Accounts payable and accrued expenses	(4,365)	(7,370)
Net cash provided by operating activities	<u>304,934</u>	<u>152,743</u>
Cash flows from investing activities:		
Contributions to investment in limited liability companies	(77,533)	(9,159)
Distributions from investment in limited liability companies	23,037	-
Expenditures for real estate and development costs	(11,500)	-
Net change in restricted cash	20,629	(7,490)
Net cash used in investing activities	<u>(45,367)</u>	<u>(16,649)</u>
Cash flows from financing activities:		
Payments on notes payable and line-of-credit	-	(426,458)
Cash used in financing activities	<u>-</u>	<u>(426,458)</u>
Net change in cash and cash equivalents	259,567	(290,364)
Cash and cash equivalents, beginning of year	<u>407,572</u>	<u>697,936</u>
Cash and cash equivalents, end of year	<u>\$ 667,139</u>	<u>\$ 407,572</u>
Cash paid for the following:		
Interest	<u>\$ -</u>	<u>\$ 1,903</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

NOTE 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, 2016 and 2015. The Organization holds common stock in and also has financing transactions with Clearinghouse CDFI in the normal course of business (Note 7).

NOTE 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, 2016 and 2015, there were temporarily restricted net assets of \$239,727 and \$263, 710, 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, 2016 and 2015, the Organization had no permanently restricted net assets.

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

Statement 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 2016 and 2015.

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, 2016 and 2015, 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, 2016 and 2015, 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 and equipment at historical cost. 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.

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property (Continued)

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 2016 or 2015.

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, 2016 and 2015, 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. During the year ended June 30, 2016, the Organization held a special event celebrating its 25th anniversary. Revenue of approximately \$166,000 received from this event is included in contribution revenue, and the related direct expenses incurred of approximately \$38,000 are included in events expense in the statement of activities and change in net assets.

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2011. There are no current reviews pending.

Fair Value Measurements

The Organization accounts for their financial instruments using fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value measurement hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable.

The Organization's management uses the following methods and assumptions to estimate the fair value of their financial instruments:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of June 30, 2016 and 2015, the Organization's investments in long-term certificate of deposits are stated at fair value using Level 1 inputs.

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.

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Business and Credit Risk (Continued)

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.

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses (Continued)

- Fundraising expenses consist of costs incurred in connection with activities related to obtaining grants and activities designed to generate revenue.

Reclassifications

Certain reclassifications have been made in the 2015 comparative information to conform to the presentation of the 2016 financial statements.

NOTE 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, 2016 and 2015.

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, 2016 and 2015, 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, 2016 and 2015. Rental expense incurred for the years ended June 30, 2016 and 2015 amounted to \$10,156 and \$11,913, respectively. In addition, the Organization shares costs with Clearinghouse CDFI which include phone, utilities and supplies.

NOTE 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.

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4. GOVERNMENT GRANT (Continued)

Neighborhood Stabilization Program (Continued)

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, 2016 and 2015.

NOTE 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 (\$159,300) and (\$109,800) as of June 30, 2016 and 2015, respectively, as it is not expected they will be repaid.

During the year ended June 30, 2016, the Organization collected a note receivable in the amount of \$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, 2016 and 2015, the balances for such notes and the related reserves are as follows:

	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	\$ -	\$ -	\$ -	\$ -
	Balance 7/1/14	Additions	Reserve	Balance 6/30/15
Notes receivable	\$ 159,300	\$ -	\$ -	\$ 159,300
Reserve	(159,300)	-	-	(159,300)
Notes receivable, net	\$ -	\$ -	\$ -	\$ -

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

NOTE 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. Any development costs expended to date will be reimbursed to the Organization. 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, 2016 and 2015 are as follows:

	2016			2015
	<i>(unaudited)</i> Mustang	<i>(unaudited)</i> Picadilly	<i>(unaudited)</i> Total	<i>(unaudited)</i> Total
Assets				
Cash and other assets	\$ 2,080	\$ 29,412	\$ 31,492	\$ 49,416
Development costs	82,945	105,012	187,957	134,003
Property	-	10,000	10,000	1,082,524
Total assets	\$ 85,025	\$ 144,424	\$ 229,449	\$ 1,265,943
Liabilities				
Accounts payable	\$ 92,711	\$ -	\$ 92,711	\$ 92,751
Long-term debt	-	-	-	1,072,524
Total liabilities	92,711	-	92,711	1,165,275
Members' equity	(7,686)	144,424	136,738	100,668
Total liabilities and members' equity	\$ 85,025	\$ 144,424	\$ 229,449	\$ 1,265,943
Revenues	\$ -	\$ -	\$ -	\$ -
Expenses	(1,112)	(1,045)	(2,157)	(1,015)
Net loss	\$ (1,112)	\$ (1,045)	\$ (2,157)	\$ (1,015)

AFFORDABLE HOUSING CLEARINGHOUSE
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

NOTE 7. CONTINGENCIES

AHC receives significant financial assistance from the U.S. Government under the Neighborhood Stabilization Program. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal and state regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance with grantor requirements. Any disallowances as a result of these audits become a liability of AHC. AHC estimates that no material liabilities will result from these audits.

NOTE 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 except as disclosed below.

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.