AFFORDABLE HOUSING CLEARINGHOUSE

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2015
WITH COMPARATIVE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

HCVT

HOLTHOUSE | CARLIN | VAN TRIGT LLP

AFFORDABLE HOUSING CLEARINGHOUSE

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
JUNE 30, 2015
WITH COMPARATIVE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

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HOLTHOUSE | CARLIN | VAN TRIGT LLP

Independent Auditor's Report

To the Board of Directors of
Affordable Housing Clearinghouse:

We have audited the accompanying consolidated financial statements of Affordable Housing Clearinghouse (the Organization) which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Affordable Housing Clearinghouse as of June 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated July 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
March 22, 2016

AFFORDABLE HOUSING CLEARINGHOUSE

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	$ 407,572	$ 697,936
Investments, at fair value	129,285	128,712
Fees receivable	127,943	-
Prepaid expenses and other assets	4,505	1,535
Real estate inventory	-	310,007
Total current assets	669,305	1,138,190
Restricted cash	297,274	289,784
Property, at cost		
Building and improvements	240,100	240,100
Less: accumulated depreciation	(87,037)	(81,034)
Net property	153,063	159,066
Deposits and other assets	-	834
Investment in limited liability companies	48,551	45,692
Total assets	$ 1,168,193	$ 1,633,566
Liabilities and Net Assets		
Current liabilities		
Notes payable and line-of-credit, current	$ -	$ 321,453
Accounts payable and accrued expenses	22,016	29,386
Total current liabilities	22,016	350,839
Tenant security deposits	4,150	4,150
Notes payable and line-of credit, net of current portion	-	105,005
Total liabilities	26,166	459,994
Commitments and contingencies		
Net assets		
Unrestricted net assets		
Unrestricted net assets, controlling interest	878,317	909,862
Unrestricted net assets, non-controlling interest	-	-
Total unrestricted	878,317	909,862
Temporarily restricted	263,710	263,710
Permanently restricted	-	-
Total net assets	1,142,027	1,173,572
Total liabilities and net assets	$ 1,168,193	$ 1,633,566

See notes to consolidated financial statements.

AFFORDABLE HOUSING CLEARINGHOUSE

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
Revenue and other support:				
Real estate sales - joint venture	$ -	$ -	$ -	$ 1,237,287
Real estate sales - NSP	443,681	-	443,681	359,354
Gross potential rent, net of vacancies	65,623	-	65,623	65,342
Other revenue	2,995	-	2,995	5,700
Contributions	180,866	-	180,866	207,034
Program revenue	26,084	-	26,084	8,334
Interest and dividend income	971	-	971	4,315
Total revenue and other support	720,220	-	720,220	1,887,366
Expenses:				
Program services:				
Loan assistance program	-	-	-	8,261
Housing program	669,510	-	669,510	1,639,293
Supporting services:				
Management and general	70,259	-	70,259	77,469
Fundraising	11,996	-	11,996	11,470
Total expenses	751,765	-	751,765	1,736,493
Change in net assets	(31,545)	-	(31,545)	150,873
Net assets, beginning of year	909,862	263,710	1,173,572	1,160,414
Distributions	-	-	-	(137,715)
Net assets, end of year	$ 878,317	$ 263,710	$ 1,142,027	$ 1,173,572

See notes to consolidated financial statements.

AFFORDABLE HOUSING CLEARINGHOUSE

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2014

	Program Services	Supporting Services			
	Housing Program	Management and General	Fundraising	2015 Total	2014 Total
Advertising	$ 1,810	$ 27	$ 27	$ 1,864	$ 959
Automobile	2,021	253	253	2,527	1,189
Bank service charges	147	18	18	183	282
Daisy property expenses	33,818	-	-	33,818	45,559
Daisy property depreciation	6,003	-	-	6,003	6,003
Dues and subscriptions	-	1,285	-	1,285	875
Employee benefits	1,819	910	303	3,032	1,877
Equity in loss of investment in LLCs	6,300	-	-	6,300	-
Health insurance	8,645	12,968	-	21,613	11,200
Insurance	6,178	-	-	6,178	11,378
Licenses/permits	1,316	-	-	1,316	1,137
Meals/entertainment	100	101	-	201	329
Miscellaneous	-	1,851	-	1,851	5,910
Office expenses	1,732	-	-	1,732	176
Payroll taxes	12,992	3,464	866	17,322	15,565
Postage and delivery	1,105	552	184	1,841	1,883
Printing and reproduction	508		-	508	681
Professional fees - accounting	21,145	3,732	-	24,877	38,427
Real estate cost of sales	393,673	-	-	393,673	1,357,675
Rent	9,512	2,401	-	11,913	11,079
Repairs and maintenance	2,018	1,346	-	3,364	5,230
Salaries and wages	152,678	40,714	10,178	203,570	205,568
Seminars and education	1,336	167	167	1,670	3,092
Staff development	1,066	-	-	1,066	-
Telephone	2,684	470	-	3,154	9,658
Workers compensation	904	-	-	904	761
	$ 669,510	$ 70,259	$ 11,996	$ 751,765	$ 1,736,493

See notes to consolidated financial statements.

AFFORDABLE HOUSING CLEARINGHOUSE

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ (31,545)	$ 150,873
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Equity in loss of investment in LLCs	6,300	-
Unrealized gain on marketable securities	(573)	(980)
Depreciation	6,003	6,003
Prepaid expenses and other assets	(2,970)	(1,535)
Fees receivable	(127,943)	-
Real estate inventory	310,007	431,897
Deposits and other assets	834	-
Accounts payable and accrued expenses	(7,370)	9,687
Accrued interest	-	(3,541)
Tenant security deposits liability	-	500
Net cash provided by operating activities	152,743	592,904
Cash flows from investing activities:		
Contributions to investment in limited liability companies	(9,159)	(3,200)
Net change in restricted cash	(7,490)	47,425
Net cash provided by (used in) investing activities	(16,649)	44,225
Cash flows from financing activities:		
Payments on notes payable and line-of-credit	(426,458)	(261,262)
Distributions	-	(137,715)
Cash used in financing activities	(426,458)	(398,977)
Net change in cash and cash equivalents	(290,364)	238,152
Cash and cash equivalents, beginning of year	697,936	459,784
Cash and cash equivalents, end of year	$ 407,572	$ 697,936
Cash paid for the following:		
Interest	$ 1,903	$ 15,883
Income taxes	$ -	$ -

See notes to consolidated financial statements.

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 and are included in the accompanying consolidated financial statements. The Organization holds common stock in and also has financing transactions with Clearinghouse CDFI in the normal course of business (Notes 3 and 7).

Reclassifications

Certain restatements of balances previously reported as of and for the year ended June 30, 2014 have been made to conform to the presentation in the accompanying consolidated statement of functional expenses as of and for the year ended June 30, 2015. The effects of these reclassifications within functional expense categories had no impact on the Organization's net assets or change in net assets in 2014.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Revenues, expenses, gains, losses and net assets are classified in the consolidated financial statements based on the existence or absence of donor-imposed restrictions. Accordingly, 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- 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 consolidated financial statements as net assets released from restrictions. At June 30, 2015 and 2014, there were temporarily restricted net assets of $263,710, 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, 2015 and 2014, 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.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of AHC and the joint venture with Clearinghouse CDFI. All significant intercompany balances and transactions have been eliminated in consolidation. The noncontrolling interest in the consolidated joint venture is shown separately in the components of net assets. (Note 3). The non-controlling interest represents the aggregate balance of their interest. At June 30, 2015 and 2014, the non-controlling interest was zero.

Net Asset Summary

The following is a summary of net asset balances as of June 30, 2015:

	Unrestricted	Unrestricted Non-controlling	Temporarily Restricted	Total
Net assets, July 1, 2014	$ 909,862	$ -	$ 263,710	$ 1,173,572
Change in net assets	(31,545)		-	(31,545)
Contributions	-	-	-	-
Distributions	-	-	-	-
Net assets, June 30, 2015	$ 878,317	$ -	$ 263,710	$ 1,142,027

The following is a summary of net asset balances as of June 30, 2014:

	Unrestricted	Unrestricted Non-controlling	Temporarily Restricted	Total
Net assets, July 1, 2013	$ 907,298	$ (10,594)	$ 263,710	$ 1,160,414
Change in net assets	2,564	148,309	-	150,873
Contributions	-	-	-	-
Distributions	-	(137,715)	-	(137,715)
Net assets, June 30, 2014	$ 909,862	$ -	$ 263,710	$ 1,173,572

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is reviewed periodically. No adjustment was required for 2015 and 2014.

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 year ended June 30, 2015 and 2014, 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, 2015, there were no homes in development or held for sale. As of June 30, 2014, one home totaling $310,007 was in development and there were no homes held for sale. The homes under development and unsold homes, if any, are included in real estate inventory in the accompanying consolidated 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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property (Continued)

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 2015 or 2014.

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, 2015 and 2014, 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.

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 consolidated 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 2010. There are no current reviews pending.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

At June 30, 2015 and 2014, 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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Business and Credit Risk (Continued)

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 consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. 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 consolidated 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.

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, 2015 and 2014.

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 (Note 7). Any profits or losses from the venture will be split 50-50 between the Organization and Clearinghouse CDFI. During the year ended June 30, 2015, the Organization had no joint venture activity with Clearinghouse CDFI. During the year ended June 30, 2014, one property was sold for approximately $565,000 at a cost of approximately $495,000.

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, 2015 and 2014. Rental expense incurred for the years ended June 30, 2015 and 2014 amounted to $11,913 and $11,079, respectively. In addition, the Organization shares costs with Clearinghouse CDFI which include phone, utilities and supplies.

NOTE 4. GOVERNMENT GRANTS

Neighborhood Stabilization Program 1

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 (NSP1).

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 at June 30, 2015 and 2014.

NOTE 4. GOVERNMENT GRANTS (Continued)

Neighborhood Stabilization Program 2

The Organization is part of a consortium that was awarded $7.5 million in Neighborhood Stabilization Program 2 (NSP2) funds, funded through the American Recovery and Reinvestment Act of 2009 passed through Neighborhood Housing Services of Orange County (NHSOC). These funds are used in target areas across 129 census tracts affected by high foreclosure and vacancy risks scores.

The consortium acquires and rehabilitates foreclosed or abandoned properties for resale and rental and provides financing mechanisms, in the form of homebuyer assistance. The award is received in the form of a short-term loan which is repaid from the sale of the rehabilitated homes (Note 7).

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), as it is not expected they will be repaid.

As of June 30, 2015 and 2014, the balances for such notes and the related reserves are as follows:

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

	Balance 7/1/13	Additions	Reserve	Balance 6/30/14
Notes receivable	$ 159,300	$ -	$ -	$ 159,300
Reserve	(159,300)	-	-	(159,300)
Notes receivable, net	$ -	$ -	$ -	$ -

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. As a result, management is in negotiations with the successor agency and expects to deed the Mustang land back to the agency and anticipates 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, 2015 and 2014 are as follows:

	2015			2014
	(unaudited) Mustang	*(unaudited)* Picadilly	*(unaudited)* Total	*(unaudited)* Total
Assets				
Cash and other assets	$ 46,004	$ 3,412	$ 49,416	$ 56,903
Development costs	89,510	44,493	134,003	119,923
Property	1,072,524	10,000	1,082,524	1,082,524
Total assets	$ 1,208,038	$ 57,905	$ 1,265,943	$ 1,259,350
Liabilities				
Accounts payable	$ 92,711	$ 40	$ 92,751	$ 92,711
Long-term debt	1,072,524	-	1,072,524	1,072,524
Total liabilities	1,165,235	40	1,165,275	1,165,235
Members' equity	42,803	57,865	100,668	94,115
Total liabilities and members' equity	$ 1,208,038	$ 57,905	$ 1,265,943	$ 1,259,350
Revenues	$ -	$ -	$ -	$ -
Expenses	(308)	(707)	(1,015)	(900)
Net loss	$ (308)	$ (707)	$ (1,015)	$ (900)

NOTE 7. NOTES PAYABLE AND LINE-OF-CREDIT

A summary of the Organization's notes payable (and collateral pledged thereon), and line-of-credit, consisted of the following at June 30, 2015 and 2014:

	2015	2014
Note payable to Clearinghouse CDFI in the original amount of $226,000, annual interest accrues at 7.335%, principal and interest due monthly at $1,799 and all unpaid principal and interest are due on August 1, 2021, collateralized by deed of trust on the Daisy property. The note was subsequently paid off in September 2014.	$ -	$ 118,227
Revolving line-of-credit with Clearinghouse CDFI in the amount of $3,000,000, secured by real estate inventory, interest accrues at 7.75% and matures September, 2014. The line of credit was renewed through January 2015 and reduced to $500,000 effective September 2014.	-	-
Note payable through the NSP2/NHSOC program, secured by a deed of trust, non-interest bearing, and payable from proceeds of the sale of property.	-	308,231
Total notes payable and line-of-credit	-	426,458
Less: current portion	-	(321,453)
Total notes payable and line-of-credit, net of current portion	$ -	$ 105,005

NOTE 8. 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 9. SUBSEQUENT EVENTS

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