

From: Emily Cantu
Sent: Tuesday, August 24, 2021 1:26 PM
To: 'Alicia Minyen' <aliciaminyen@comcast.net>
Cc: Michelle Thornbrugh <Michelle.Thornbrugh@cityofvacaville.com>
Subject: RE: Agenda Item 10a - VCH Audited Financials

Good afternoon, Alicia - I received the following questions sent to the Mayor, Vice-Mayor, and City Councilmembers regarding the Lincoln Corner and Vacaville Meadows City Council agenda item this evening. Please see my responses below in **green**:

1) Staff states that there is a “threat of tax liability” if this item is not approved and that staff recently learned that the Vacaville Community Housing (“VCH”)(the nonprofit that served as general partner, property manager and owner of certain affordable housing) had dissolved.

However, Staff knew from a prior 2017 Council meeting that VCH was dissolving and VCH filed third intent to dissolve in November 29, 2017 with the California Secretary of State. VCH final dissolution was December 2020.

Therefore, given it was known VCH was dissolving since 2017, please explain why the Staff Report was written in a way to lead the public to believe VCH had dissolved recently and unexpectedly.

Staff did not learn of the CA Certificate of Dissolution until February 2021.

2) The two prior VCH loans with the City secured by Vacaville Meadows and Lincoln Corners in the amount of about \$952,000 and \$975,610 that will be paid off is not reported in the attached VCH financial statement audit for the fiscal year ended 2017. Please confirm these loan balances with VCH and identify where VCH accounted for these loans on its audit report. If VCH does not recognize these loans in its financial statements, provide evidence that these loans exist such as the promissory notes.

These loans are between the City of Vacaville and Vacaville Meadows, Ltd. and Vacaville Depot, Ltd. and would not be included in VCH’s audited financials.

3) The staff recommends the termination of an existing lease for Lincoln Corners; however The Lincoln Corners property is not reported as an asset on the VCH audit report and the amount of lease expense or a capitalized lease is not recorded on the Balance Sheet or Income Statement. The Notes to such financial statements also do not disclose the existence of Lincoln Corners. Provide evidence that VCH had ownership and acted as general partner for Lincoln Corners.

VCH was a partner in the ownership of Lincoln Corner, Vacaville Depot, Ltd. included in notes on the audited financials.

4) Prior to approving the sale of land for \$300k, provide the current market value evidenced by an appraisal. Provide the future value of the land when the new renovation project is complete. The public and Council should be made aware to what extent City owned land is sold at a discount and the amount of the discount.

An appraisal was not obtained or recommended by staff because the sale at a negotiated price of \$300,000 is one way in which the City can support the preservation of this affordable housing property and allow the needed rehabilitation work to occur.

5) Explain why the City can resubordinate debt since millions in bonds issued by the Redevelopment Agency were loaned to VCH. Will investors to any outstanding bonds be subordinated as a result of this transaction?

There is no bond debt on these properties.

6) The staff states \$3 million is being generated from this transaction to refurbish the Lincoln Corner and Vacaville Meadows Apartments.

Explain how the \$3 million was derived.

Post had a contractor go out to both properties and they created the renovations budget to complete immediate repairs needed and capital needs to preserve the longevity of the assets.

Also, why is this \$3 million only being used to improve the exterior. What about the interior of the apartments given no renovations have taken place since 2001/2005?

Approximately \$542,000 is included for interior renovations.

7) Also, Eden Housing assumed VCH's affordable housing complexes in 2017 and 2018. Explain how Post Investment Group became the new owner/general partner/property manager for Vanden Meadows and Lincoln Corners. How is this transaction consistent with any agreement between Eden Housing, VCH and the City as Successor to the Redevelopment Agency?

The Eden Housing assumption did not include Vacaville Meadows or Lincoln Corner.

Thank you.
Emily Cantu
City of Vacaville
Housing and Community Services Director
Phone (707) 449-5688

BUSINESS DAYS AND HOURS

Mon – Thur and every other Fri: 8:00a.m.–5:30p.m.

Friday and Holiday Closures

8/13, 8/27, 9/6, 9/10, 9/24, 10/8, 10/22, 11/5, 11/11, 11/19, 11/25, 11/26, 12/3, 12/17, 12/23, 12/24, 12/31

-----Original Message-----

From: Alicia Minyen [mailto:aliciaminyen@comcast.net]

Sent: Tuesday, August 24, 2021 12:18 AM

To: Nolan Sullivan <Nolan.Sullivan@cityofvacaville.com>; Ron Rowlett

<Ron.Rowlett@cityofvacaville.com>; Michael Silva <Michael.Silva@cityofvacaville.com>; Jeanette Wylie

<Jeanette.Wylie@cityofvacaville.com>; Jason Roberts <Jason.Roberts@cityofvacaville.com>; Roy

Stockton <Roy.Stockton@cityofvacaville.com>; Aaron Busch <Aaron.Busch@cityofvacaville.com>; Greg Ritchie <Greg.Ritchie@cityofvacaville.com>
Subject: Agenda Item 10a - VCH Audited Financials

CAUTION: This Email is from an EXTERNAL source. Ensure you trust this sender before clicking on any links or attachments.

Dear Mayor Rowlett, Vice-Mayor Nolan Sullivan and Council Members,

Please defer approving Agenda Item 10a until the following questions have been adequately addressed:

1) Staff states that there is a "threat of tax liability" if this item is not approved and that staff recently learned that the Vacaville Community Housing ("VCH")(the nonprofit that served as general partner, property manager and owner of certain affordable housing) had dissolved.

However, Staff knew from a prior 2017 Council meeting that VCH was dissolving and VCH filed third intent to dissolve in November 29, 2017 with the California Secretary of State. VCH final dissolution was December 2020.

Therefore, given it was known VCH was dissolving since 2017, please explain why the Staff Report was written in a way to lead the public to believe VCH had dissolved recently and unexpectedly.

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6) The staff states \$3 million is being generated from this transaction to refurbish the Lincoln Corner and Vacaville Meadows Apartments.

Explain how the \$3 million was derived.

Also, why is this \$3 million only being used to improve the exterior. What about the interior of the apartments given no renovations have taken place since 2001/2005?

7) Also, Eden Housing assumed VCH's affordable housing complexes in 2017 and 2018. Explain how Post Investment Group became the new owner/general partner/property manager for Vanden Meadows and Lincoln Corners. How is this transaction consistent with any agreement between Eden Housing, VCH and the City as Successor to the Redevelopment Agency?

I'll send some additional records related to Item 10a in a separate email. You can see the VCH audit report attached.

Sincerely,

Alicia Minyen

1:07



Done

248802



074714

<div style="display: inline-block; vertical-align: middle;"> Secretary of State Nonprofit Certificate of Election to Wind Up and Dissolve <small>(California Nonprofit Corporation ONLY)</small> </div> <div style="float: right; border: 1px solid black; padding: 2px;">ELEC NP</div>	
<p>IMPORTANT — Read instructions before completing this form.</p> <p>There is No Fee for filing a Nonprofit Certificate of Election to Wind Up and Dissolve</p> <p>Copy Fees — First page \$1.00; each attachment page \$0.50; Certification Fee - \$5.00 plus copy fees</p>	
This Space For Office Use Only	
<p>1. Corporate Name (Enter the exact name of the nonprofit corporation as it is recorded with the California Secretary of State.)</p> <p>Vacaville Community Housing</p>	<p>2. 7-Digit Secretary of State File Number</p> <p style="text-align: center; font-size: large;">C1652789</p>

(Check the applicable statement. Only one box may be checked. If the first box is checked, enter the number of members (do not enter the percentage of members). Note: This Form ELEC NP is not required when the vote to dissolve was made by all of the members, or if the nonprofit corporation has no members, by all of the directors, and that fact is noted on the Nonprofit Certificate of Dissolution (Form DISS NP).)

☐ The election was made by the vote of _____ members of the nonprofit corporation, and representing a majority of the members.

☐ The election was made by the board of directors together with the vote of a majority of the members voting on the election to dissolve.

☒ The nonprofit corporation has no members; the election was made by the board of directors of the nonprofit corporation

4. Required Statement (This Statement is required. Do not alter.)

The nonprofit corporation has elected to wind up and dissolve.

5. Read, Verify, Date and Sign Below (See instructions for signature requirements. Do not use a computer generated signature.)

I declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of my own knowledge and that I am authorized by California law to sign.

Date	Signature	Cassandra C. Patton
		Type or Print Name
Date	Signature	Charles R. Learned
		Type or Print Name
Date	Signature	
		Type or Print Name

ELEC NP (REV 05/2017)

 2017 California Secretary of State
 www.sos.ca.gov/business/sbe

DocuSign Envelope ID: 309212B5-1FFD-4774-8EA7-D22DF77C25E6

DIRECTORS' RESOLUTIONS TO WIND UP AND DISSOLVE
RESOLUTIONS OF THE BOARD OF DIRECTORS OF VACAVILLE COMMUNITY HOUSING, A CALIFORNIA NONPROFIT CORPORATION

WHEREAS the Board of Directors of Vacaville Community Housing, a California nonprofit corporation, held an annual meeting in Vacaville, California, on August 29, 2017, to continue discussions regarding the transfer of assets from Vacaville Community Housing, to Eden Vacaville Housing, Inc. The entire Vacaville Community Housing Board of Directors voted unanimously to continue the transfers to Eden Vacaville Housing, Inc., with the ultimate goal of winding up and dissolving the corporation.

WHEREAS the entirety of the Board of Directors of Vacaville Community Housing, a California nonprofit corporation, subsequently voted to wind up and dissolve the corporation, which action was taken without meeting, with all of the Board Members collectively consenting in writing to do so. After discussion, the following resolutions were unanimously adopted:

RESOLVED, that the Directors have determined that it is in the best interests of this corporation that this corporation be wound up and dissolved.

RESOLVED FURTHER, that the Directors and Officers of the corporation are authorized

1:08



Done

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2 of 3

DocuSign Envelope ID: 309212B5-1FFD-4774-8EA7-D220F77C25E6

DIRECTORS' RESOLUTIONS TO WIND UP AND DISSOLVE

RESOLUTIONS OF THE BOARD OF DIRECTORS OF VACAVILLE COMMUNITY HOUSING, A CALIFORNIA NONPROFIT CORPORATION

WHEREAS the Board of Directors of Vacaville Community Housing, a California nonprofit corporation, held an annual meeting in Vacaville, California, on August 29, 2017, to continue discussions regarding the transfer of assets from Vacaville Community Housing, to Eden Vacaville Housing, Inc. The entire Vacaville Community Housing Board of Directors voted unanimously to continue the transfers to Eden Vacaville Housing, Inc., with the ultimate goal of winding up and dissolving the corporation.

WHEREAS the entirety of the Board of Directors of Vacaville Community Housing, a California nonprofit corporation, subsequently voted to wind up and dissolve the corporation, which action was taken without meeting, with all of the Board Members collectively consenting in writing to do so. After discussion, the following resolutions were unanimously adopted:

RESOLVED, that the Directors have determined that it is in the best interests of this corporation that this corporation be wound up and dissolved.

RESOLVED FURTHER, that the Directors and Officers of the corporation are authorized and directed to take all appropriate actions to wind up and dissolve this corporation.

RESOLVED FURTHER, that a majority of the Board of Directors may authorize the voluntary dissolution of this corporation because the corporation has no members.

RESOLVED FURTHER, that the Board of Directors and Officers are authorized and directed to execute, verify, and file a certificate of election to wind up and dissolve with the Secretary of State in accordance with Corporations Code Section 6611, as well as to execute and/or file any other documentation necessary to accomplish the dissolution. The Board of Directors and Officers are further authorized to file a copy of the certificate with the California Attorney General.

RESOLVED FURTHER, that on the commencement of dissolution proceedings, the Officers and Directors of this corporation are authorized and directed to take all other actions as may be necessary or reasonable in connection with the winding up and dissolution of this corporation.

RESOLVED FURTHER, that Charles R. Learned is appointed as Assistant Secretary of the corporation, until the corporation dissolves or further resolution. Mr. Learned will have all powers and authority granted to the Secretary in order to assist in managing the winding up and dissolution of the corporation. Mr. Learned will also stay on as Executive Director.

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RESOLVED FURTHER, that the Directors and Officers are authorized and directed to secure, if necessary, a decree from the superior court in a proceeding to which the Attorney General is a party, or the Attorney General's written waiver of objections to the proposed distribution, and to distribute the corporation's remaining assets in accordance with its articles of incorporation.

RESOLVED FURTHER, that the Directors and Officers are authorized and directed to execute any instrument as may be necessary or reasonable to complete the dissolution and wind up the corporation's affairs, including but not limited to the filing of a certificate of dissolution in accordance with Corporations Code Section 6615.

UNANIMOUSLY ADOPTED, this 29 day of November, 2017, in Vacaville, California

DocuSigned by:
Cassandra C. Patton

Cassandra C. Patton, President

10:34



AA

edenhousing.org



LINCOLN CORNER

 130 Scoggins Court, Vacaville,
California



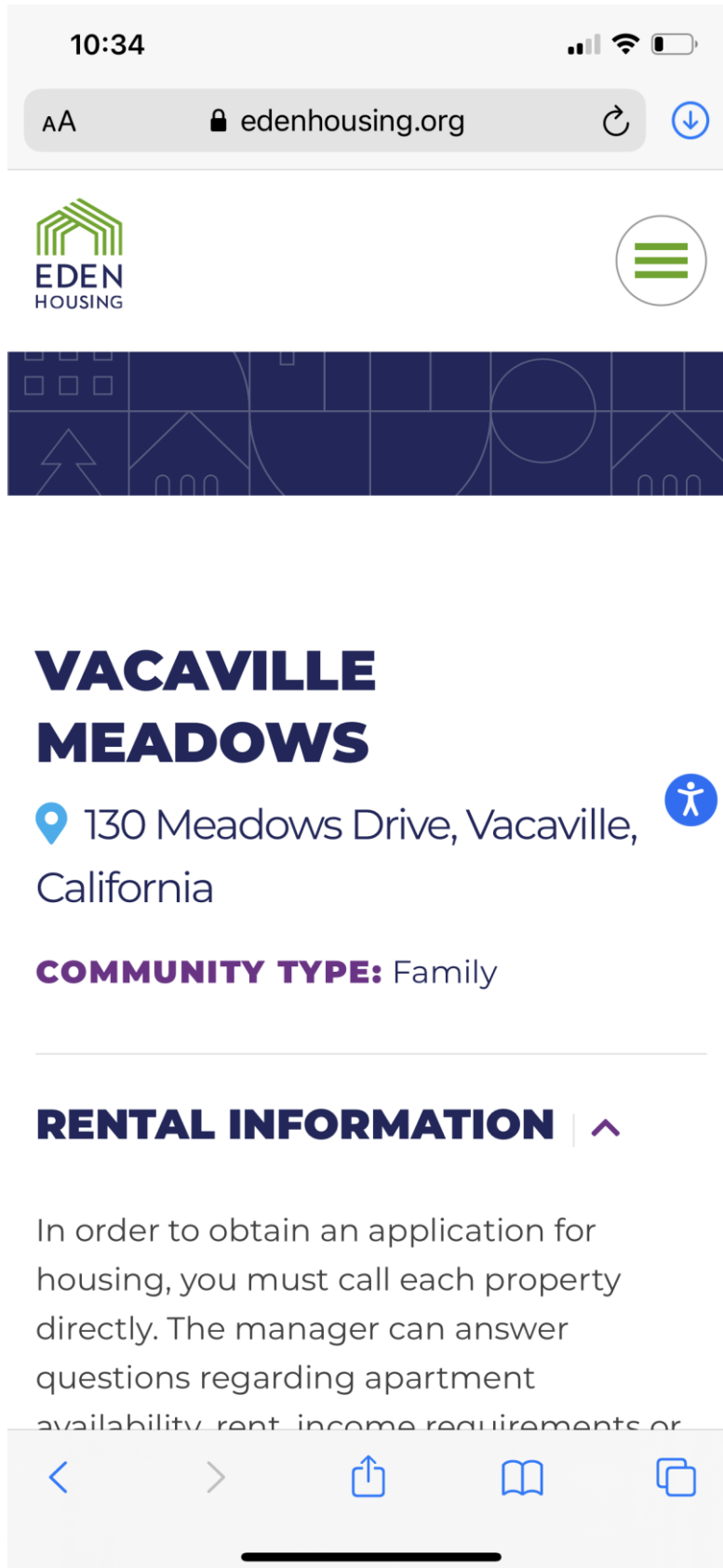
COMMUNITY TYPE: Family

RENTAL INFORMATION | 

PROPERTY DETAILS | 

DEVELOPMENT DETAILS | 





1:10 ↗



Done

690 2



XAVIER BECERRA
Attorney General

State of California
DEPARTMENT OF JUSTICE



1300 I Street
P.O. Box 903447
Sacramento, CA 94203-4470
(916) 210-6400 Ext 8
Fax: (916) 444-3651
Dissolution@doj.ca.gov

February 13, 2018

VACAVILLE COMMUNITY HOUSING
P.O. BOX 5744
VACAVILLE CA 95696

CT FILE NUMBER: 074714

RE: Dissolution of VACAVILLE COMMUNITY HOUSING

Dear Directors:

The Attorney General's office has received notice of the dissolution of the captioned organization. In order to process a waiver of objections to the disposition of the corporation's assets we need the following document(s):

1. IRS form [990, 990-PF, 990-EZ] or financial statements consisting of at least a balance sheet and income and expense statement for the fiscal years ended **06/30/16**. Bank statements will not be accepted.
2. Financial statements consisting of at least a balance sheet and income and expense statement for the fiscal period beginning **07/01/16 through disposition of assets**. Bank statements will not be accepted.

Please provide the above-requested document(s) within thirty (30) days of the date of this letter. If these documents are not submitted, the Attorney General's office will decline to waive objections to the disposition of the captioned corporation's assets upon dissolution pursuant to California Corporations Code section 6716 (section 8716 for mutual benefit corporations).

Sincerely,

Registry of Charitable Trusts

For

XAVIER BECERRA
Attorney General

CT-660 Dissolution Insufficient Documentation



12:51



businesssearch.sos.ca.gov



<div style="display: flex; justify-content: space-between; align-items: center;"> <div> Secretary of State Nonprofit Certificate of Dissolution <small>(California Nonprofit Corporation ONLY)</small> </div> <div style="border: 1px solid black; padding: 2px; font-weight: bold;">DISS NP</div> </div> <p>IMPORTANT — Read Instructions before completing this form. There is No Fee for Filing a Nonprofit Certificate of Dissolution Copy Fee — First page \$1.00; each attachment page \$0.50; Certification Fee — \$0.50 plus copy fees.</p> <p>Attorney General Letter: All nonprofit public benefit and religious nonprofit corporations are required to get a letter from the California Attorney General's office waiving objections to the nonprofit corporation's distribution of assets, or confirming the nonprofit corporation has no assets. If your corporation is a public benefit or religious corporation, you must attach that letter to this Nonprofit Certificate of Dissolution (see instructions).</p>	<div style="text-align: center; border: 2px solid blue; padding: 10px; margin-bottom: 10px;"> <h1 style="margin: 0;">FILED</h1> <p style="margin: 5px 0;">Secretary of State State of California</p> <p style="margin: 5px 0;">D1607013</p> <p style="margin: 5px 0;">Filing Number</p> <p style="margin: 5px 0;">12/29/2020</p> <p style="margin: 5px 0;">Filing Date</p> </div> <p style="text-align: center; font-size: small;">This Space For Office Use Only</p> <p style="text-align: center; font-weight: bold; font-size: large;">C1652789</p>									
<div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <p>1. Corporate Name (Enter the exact name of the nonprofit corporation as it is recorded with the California Secretary of State.)</p> <p>Vacaville Community Housing</p> </div> <div style="width: 48%;"> <p>2. 7-Digit Secretary of State File Number</p> <p>C1652789</p> </div> </div>										
<p>3. Election</p> <p><input checked="" type="checkbox"/> The dissolution was made by a vote of ALL of the members, or if there are no members, by a vote of ALL of the directors of the California nonprofit corporation.</p> <p style="font-size: x-small;">Note: If the above box is not checked, a Nonprofit Certificate of Election to Wind Up and Dissolve (Form DISS NP) must be filed prior to or together with this Nonprofit Certificate of Dissolution. (California Corporations Code sections 9611, 9612, 9620 and 13621.)</p>										
<p>4. Debts and Liabilities (Check the applicable statement. Only one box may be checked. If second box is checked, you must include the required information in an attachment.)</p> <p><input checked="" type="checkbox"/> The known debts and liabilities have been actually paid or paid as far as its assets permitted.</p> <p><input type="checkbox"/> The known debts and liabilities have been adequately provided for in full or as far as its assets permitted by their assumption. Included in the attachment to this certificate, incorporated herein by this reference, is a description of the provisions made and the name and address of the person, corporation or government agency that has assumed or guaranteed the payment, or the depository institution with which deposit has been made.</p> <p><input type="checkbox"/> The nonprofit corporation never incurred any known debts or liabilities.</p>										
<p>5. Required Statements (Do not alter the Required Statements — ALL must be true to file Form DISS NP.)</p> <p>a. The nonprofit corporation has been completely wound up and is dissolved.</p> <p>b. All final returns required under the California Revenue and Taxation Code have been or will be filed with the California Franchise Tax Board.</p> <p>c. For Mutual Benefit or General Cooperative Corporations ONLY: The known assets have been distributed to the persons entitled thereto or the nonprofit corporation acquired no known assets.</p>										
<p>6. Read, Verify, Date and Sign Below (See instructions for signature requirements. Do not use a computer-generated signature.)</p> <p>The undersigned is the sole director or a majority of the directors now in office. I declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct to my own knowledge.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;"> <p>6/19/20</p> <p>Date</p> </td> <td style="width: 33%; text-align: center;"> <p></p> <p>Signature</p> </td> <td style="width: 33%; text-align: center;"> <p>Charles R. Leshman</p> <p>Type or Print Name</p> </td> </tr> <tr> <td style="text-align: center;"> <p>6/26/20</p> <p>Date</p> </td> <td style="text-align: center;"> <p></p> <p>Signature</p> </td> <td style="text-align: center;"> <p>Charles R. Leshman</p> <p>Type or Print Name</p> </td> </tr> <tr> <td style="text-align: center;"> <p>_____</p> <p>Date</p> </td> <td style="text-align: center;"> <p>_____</p> <p>Signature</p> </td> <td style="text-align: center;"> <p>_____</p> <p>Type or Print Name</p> </td> </tr> </table>		<p>6/19/20</p> <p>Date</p>	<p></p> <p>Signature</p>	<p>Charles R. Leshman</p> <p>Type or Print Name</p>	<p>6/26/20</p> <p>Date</p>	<p></p> <p>Signature</p>	<p>Charles R. Leshman</p> <p>Type or Print Name</p>	<p>_____</p> <p>Date</p>	<p>_____</p> <p>Signature</p>	<p>_____</p> <p>Type or Print Name</p>
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DISS NP (2019) (00000)

2019 California Secretary of State
sosfiles.ca.gov

D1607013

XAVIER BECERRA
Attorney GeneralState of California
DEPARTMENT OF JUSTICE10001 Street
P.O. Box 90447
Sacramento, CA 95831-4470

**Vacaville Community Housing
a California Nonprofit Corporation**

Combined Financial Statements

For the Eight Months Ended February 28, 2018

Richard E. Watson, Jr.


Certified Public Accountant

8 Metro Lane • Sacramento, CA 95816
(916) 606-0552

To the Board of Directors
Vacaville Community Housing
Vacaville, California

Management is responsible for the accompanying combined financial statements of Vacaville Community Housing, a California nonprofit corporation, which comprise the combined statement of financial position as of February 28, 2018, and the related combined statements of activities and cash flows for the eight months then ended in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the combined financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these combined financial statements.

Management has elected to omit substantially all disclosures required in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the combined financial statements, they might influence the user's conclusions about the Organization's financial position, changes in net assets, and cash flows. Accordingly, the combined financial statements are not designed for those who are not informed about such matters.



Richard E. Watson, Jr.
Certified Public Accountant
Sacramento, California

March 13, 2018

**Vacaville Community Housing
A California Nonprofit Corporation
Combined Statement of Financial Position**

February 28, 2018

Assets

Current Assets		
Cash and cash equivalents	\$	841,333
Operating investments		578,531
Accounts receivable		9,681
Advances to limited partnerships		104,840
Prepaid expenses and deposits		17,652
Total current assets		<u>1,552,037</u>
Restricted deposits and reserves		
Loan trust funds		2,483,822
Replacement reserves		27,286
Operating reserves		909,044
Security deposits		174,768
Total restricted deposits and reserves		<u>3,594,920</u>
Other assets		
Note receivable		1,705,210
Total other assets		<u>1,705,210</u>
Fixed assets		
Land		3,287,319
Buildings and improvements		22,284,088
Furnishings and equipment		77,564
Accumulated depreciation		(14,027,160)
Total fixed assets		<u>11,621,811</u>
Total assets	\$	<u><u>18,473,978</u></u>

Liabilities and Net Deficit

Current liabilities		
Accounts payable and accrued expenses	\$	81,040
Accrued real estate taxes		5,818
Interest payable		16,549
Current maturities of long term debt		481,232
Total current liabilities		<u>584,639</u>
Other liabilities		
Security deposits		212,809
Total other liabilities		<u>212,809</u>
Long term liabilities		
Mortgages and notes payable		20,878,588
Accrued interest		903,998
Less current maturities of long term debt		(481,232)
Total long term liabilities		<u>21,301,354</u>
Total liabilities		<u>22,098,802</u>
Net Deficit		
Unrestricted		<u>(3,624,824)</u>
Total unrestricted		<u>(3,624,824)</u>
Total net deficit		<u>(3,624,824)</u>
Total liabilities and net deficit	\$	<u><u>18,473,978</u></u>

See accountant's compilation report.

**Vacaville Community Housing
A California Nonprofit Corporation
Combined Statement of Activities**

For the Eight Months Ended February 28, 2018

Revenue	
Net rental income	\$ 2,223,094
Interest income	46,350
Resident service fees	56,561
Partnership management fees	7,944
Developer fees	35,834
Other income	3,887
Gain on sale of real estate	5,402,101
Total revenue	<u>7,775,771</u>
Operating expenses	
Property management fees	124,690
Administrative	322,691
Utilities	285,653
Maintenance and repair	591,056
Taxes and insurance	145,753
Resident services and expense	61,282
Total operating expenses	<u>1,531,125</u>
Other expenses	
Prepayment penalties	402,916
Interest expense	153,604
Interest - financing costs	22,619
City of Vacaville administrative fees	12,210
Depreciation	389,125
Total other expenses	<u>980,474</u>
Total expenses	<u>2,511,599</u>
Change in net deficit	5,264,172
Net deficit, beginning of year	<u>(8,888,996)</u>
Net deficit, February 28	<u><u>\$ (3,624,824)</u></u>

See accountant's compilation report.

**Vacaville Community Housing
A California Nonprofit Corporation
Combined Statement of Cash Flows**

For the Eight Months Ended February 28, 2018

Cash flows from operating activities:

Change in net assets	\$	5,264,172
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Adjustments to reconcile change in net assets to
net cash provided by operating activities:

Depreciation		389,125
Interest - financing costs		22,619
Gain on sale of real estate		(5,402,101)

Change in assets - decrease / (increase):

Accounts receivable		9,513
Advances to limited partnerships		0
Prepaid expenses and deposits		(17,476)
Security deposits		49,179

Change in liabilities - (decrease) / increase:

Accounts payable and accrued expenses		(44,712)
Accrued real estate taxes		5,818
Interest payable		33,540
Security deposits		(4,198)

Net cash provided by operating activities		305,479
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Cash flows from investing activities:

Gross proceeds from sale of real estate		11,332,371
Note receivable		(1,705,210)
Purchases of operating investments		(120,669)
Investment in rental property		(4,929)
Decrease in replacement reserves		95,245
Increase in operating reserves		(78,246)
Increase in loan trust funds		(54,225)

Net cash provided by investing activities		9,464,337
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Cash flows from financing activities:

Reconveyance of notes and interest payable		(8,851,932)
Payments on debt		(360,990)

Net cash used by financing activities		(9,212,922)
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Net increase in cash and cash equivalents		556,894
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Cash, beginning of year		284,439
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Cash, February 28	\$	841,333
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Supplemental Information:

Cash paid for interest	\$	120,064
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Cash paid for real estate taxes	\$	12,227
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See accountant's compilation report.

**Vacaville Community Housing
(a California Nonprofit Corporation)**

**Financial Statements
and Supplementary Information
with Auditor's Report**

For the Years Ended June 30, 2017 and 2016

**Richard E. Watson, Jr.
Certified Public Accountant**

Vacaville Community Housing
(a California Nonprofit Corporation)
Financial Statements
For the Years Ended June 30, 2017 and 2016

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Richard E. Watson, Jr.

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To the Board of Directors
Vacaville Community Housing
Vacaville, California

I have audited the accompanying combined financial statements of Vacaville Community Housing (a California Nonprofit Public Benefit Corporation), which comprise the combined statements of financial position as of June 30, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these combined financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

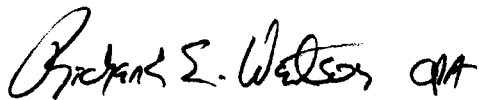
In my opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Vacaville Community Housing as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 6, 2017, on my consideration of Vacaville Community Housing's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, loan agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vacaville Community Housing's internal control over financial reporting and compliance.



Sacramento, California
September 6, 2017

**Vacaville Community Housing
A California Nonprofit Corporation
Combined Statements of Financial Position**

June 30, 2017 and 2016

Assets	2017	2016
Current Assets		
Cash and cash equivalents (note 3)	\$ 284,439	\$ 351,761
Operating investments (note 5)	457,862	170,088
Accounts receivable (note 4)	19,194	31,249
Advances to limited partnerships (note 14)	104,840	109,340
Prepaid expenses and deposits	176	176
Total current assets	<u>866,511</u>	<u>662,614</u>
Restricted Deposits and Reserves (note 8)		
Loan trust funds	2,429,597	2,263,914
Replacement reserves (note 22)	122,531	117,316
Operating reserves (note 22)	830,798	776,473
Security deposits (note 7)	223,947	222,125
Total restricted deposits and reserves	<u>3,606,873</u>	<u>3,379,828</u>
Fixed Assets (note 9)		
Land	4,480,547	4,480,547
Buildings and improvements	29,768,587	29,705,853
Furnishings and equipment	107,826	107,826
Accumulated depreciation	(16,586,558)	(15,878,624)
Total fixed assets	<u>17,770,402</u>	<u>18,415,602</u>
Total assets	<u>\$ 22,243,786</u>	<u>\$ 22,458,044</u>
Liabilities and Net Deficit		
Current Liabilities		
Accounts payable and accrued expenses	\$ 125,752	\$ 116,526
Deferred revenue	0	162
Interest payable	30,767	32,898
Current maturities of long term debt (note 10)	481,232	455,499
Total current liabilities	<u>637,751</u>	<u>605,085</u>
Other Liabilities		
Security deposits (note 7)	217,007	220,762
Total other liabilities	<u>217,007</u>	<u>220,762</u>
Long Term Liabilities (note 10)		
Mortgages and notes payable	28,929,812	29,394,500
Accrued interest	1,829,444	1,696,120
Less current maturities of long term debt	(481,232)	(455,499)
Total long term liabilities	<u>30,278,024</u>	<u>30,635,121</u>
Total liabilities	<u>31,132,782</u>	<u>31,460,968</u>
Net Deficit		
Unrestricted	(8,888,996)	(9,002,924)
Total net deficit	<u>(8,888,996)</u>	<u>(9,002,924)</u>
Total liabilities and net deficit	<u>\$ 22,243,786</u>	<u>\$ 22,458,044</u>

See accompanying notes to the financial statements.

**Vacaville Community Housing
A California Nonprofit Corporation
Combined Statements of Activities**

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue		
Net rental income	\$ 3,774,107	\$ 3,662,713
Interest income	51,400	49,260
Resident service fees (note 12)	83,202	90,509
Other income (note 18)	6,310	15,390
Donation (note 24)	35,000	0
Forgiveness of debt (note 20)	10,003	48,136
Total revenue	<u>3,960,022</u>	<u>3,866,008</u>
Operating Expenses		
Property management fees (note 16)	206,099	201,726
Administrative	627,791	573,981
Utilities	474,245	436,882
Maintenance and repair	984,037	874,944
Taxes and insurance	261,144	213,278
Total operating expenses	<u>2,553,316</u>	<u>2,300,811</u>
Net operating income	<u>1,406,706</u>	<u>1,565,197</u>
Other expenses		
Interest expense	562,605	564,735
Credit rating fee	4,000	4,000
City of Vacaville administrative fee	16,638	16,638
Minimum California franchise tax	1,600	2,400
Depreciation	707,935	782,381
Total other expenses	<u>1,292,778</u>	<u>1,370,154</u>
Decrease in net deficit before acquisition of limited partnership interest	113,928	195,043
Acquisition of limited partnership interest (note 20)	0	(223,913)
Decrease / (increase) in net deficit	113,928	(28,870)
Net deficit, beginning of year	<u>(9,002,924)</u>	<u>(8,974,054)</u>
Net deficit, end of year	<u>\$ (8,888,996)</u>	<u>\$ (9,002,924)</u>

See accompanying notes to the financial statements.

**Vacaville Community Housing
A California Nonprofit Corporation
Combined Statements of Cash Flows**

Years Ended June 30, 2017 and 2016

<u>Cash Flows From Operating Activities</u>	<u>2017</u>	<u>2016</u>
Decrease / (increase) in net deficit	\$ 113,928	\$ (28,870)
Adjustments to Reconcile Change in Net Deficit to Net Cash Provided by Operating Activities:		
Depreciation	707,935	782,381
Interest - financing costs	33,929	33,929
Acquisition of limited partnership interest	0	223,913
Decrease / (Increase) in Operating Assets -		
Accounts receivable	12,055	1,017
Partnership management fees receivable	0	(675)
Advances to limited partnerships	4,500	(35,000)
Prepaid expenses and deposits	0	1,648
Security deposits	(1,822)	(1,648)
(Decrease) / Increase in Operating Liabilities -		
Accounts payable and accrued expenses	9,226	(46,198)
Deferred revenue	(162)	(118)
Asset management fees payable	0	(5,461)
Interest payable	131,193	122,435
Security deposits	(3,755)	1,301
Net cash provided by operating activities	<u>1,007,027</u>	<u>1,048,654</u>
<u>Cash Flows From Investing Activities</u>		
Investment in rental property	(62,735)	0
Purchases of operating investments, net	(287,774)	(170,088)
Acquisition of limited partnership interest (note 20)	0	31,189
(Increase) in replacement reserves	(5,215)	(35,105)
(Increase) in operating reserves	(54,325)	(322,574)
(Increase) in loan trust funds	(165,683)	(151,430)
Net cash (used) by investing activities	<u>(575,732)</u>	<u>(648,008)</u>
<u>Cash Flows From Financing Activities</u>		
Payments on debt	(498,617)	(420,689)
Net cash (used) by financing activities	<u>(498,617)</u>	<u>(420,689)</u>
Net (decrease) in cash	(67,322)	(20,043)
Cash, beginning of year	<u>351,761</u>	<u>371,804</u>
Cash, end of year	\$ <u>284,439</u>	\$ <u>351,761</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ <u>397,483</u>	\$ <u>408,370</u>
Cash paid during the year for real estate taxes	\$ <u>31,696</u>	\$ <u>19,163</u>

See accompanying notes to the financial statements.

**Vacaville Community Housing
(A California Nonprofit Corporation)**

**Notes to the Combined Financial Statements
For the Year Ended June 30, 2017**

Note 1: Organization

Located in Vacaville, California, **Vacaville Community Housing, a California Nonprofit Public Benefit Corporation** (the “Organization”), was incorporated on November 17, 1989. The Internal Revenue Service has determined that Vacaville Community Housing is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Vacaville Community Housing qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) of the Internal Revenue Code. The Organization is also exempt from state franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code.

The primary purpose of the Organization is to provide housing to very-low, low, and moderate income families within the City of Vacaville, California. The Organization owns 385 units of multi-family housing in the City of Vacaville and is primarily supported through rents received from these units. Vacaville Community Housing also acts as the general partner in eight limited partnerships formed for the purpose of providing low-income housing in the City of Vacaville (see Note 13).

Vacaville Hillside Seniors, a California Limited Partnership (the “Partnership”), was formed as a limited partnership under the laws of the State of California on November 23, 1999, for the purpose of constructing and operating a rental housing project. On December 17, 2015, the *Amended and Restated Agreement of Limited Partnership*, was amended to allow VCH Senior Housing Partners, LLC, to acquire the limited partnership interests of WNC Institutional Tax Credit Fund X California Series, L.P., a California Limited Partnership, and WNC Housing, L.P., a California Limited Partnership.

The general partner is Vacaville Community Housing, a California Nonprofit Public Benefit Corporation, with a 0.005% interest. The limited partner is VCH Senior Housing Partners, LLC, a California Limited Liability Company, with a 99.995% interest (see Note 11, *Transactions with Related Parties*).

The project consists of 15 units located in Vacaville, California, and has qualified for, and been allocated, Low Income Housing Tax Credits pursuant to Internal Revenue Code Section 42, which regulates the use of the project as to occupant eligibility and gross unit rent, among other requirements. The project must meet the provisions of these requirements in order to remain qualified to receive the credits (see Note 17, *Commitments and Contingencies*).

Note 1: Organization (continued)

VCH Senior Housing Partners, LLC, a California Limited Liability Company (the “LLC”), was formed on December 9, 2015, under the *California Revised Uniform Limited Liability Company Act*. The sole member of the LLC is Vacaville Community Housing. The IRS has ruled that when the sole member of an LLC is a tax-exempt organization, the function of the LLC is treated as an activity of the exempt organization.

Note 2: Summary of Significant Accounting Policies

The Organization prepares its combined financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

A summary of the Organization’s significant accounting policies consistently applied in the preparation of the accompanying combined financial statements follows:

Principles of Combination

Because of common control, management and offices, the accompanying combined financial statements reflect the combined statements of Vacaville Community Housing, Vacaville Hillside Seniors and VCH Senior Housing Partners, LLC. All inter-organization transactions have been eliminated in combination.

Basis of Presentation

In accordance with U.S. Generally Accepted Accounting Principles (GAAP), net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Unrestricted net assets are not subject to donor-imposed restrictions as to purpose or use. Temporarily restricted net assets are subject to donor-imposed restrictions or stipulations that may be met either by the actions of the Organization or the passage of time. Permanently restricted net assets are subject to donor-imposed restrictions in perpetuity. There were no temporarily or permanently restricted net assets as of June 30, 2017.

Capitalization and Depreciation

Land, building and improvements are recorded at cost. The Organization capitalizes all expenditures in excess of \$1,000. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The estimated service lives of the assets for depreciation purposes may be different than actual economic useful lives.

Note 2: Summary of Significant Accounting Policies (continued)

Buildings	40 years	Straight-Line
Improvements	20 years	Straight-Line
Site improvements	15 years	Straight-Line
Furniture and equipment	5 and 7 years	Straight-Line

Impairment

In accordance with GAAP, the Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For assets held and used, if management's estimate of aggregate future cash flows to be generated by the property, undiscounted and without interest charges, including the low income housing tax credits and estimated proceeds from the eventual disposition of the real estate are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. The determination of undiscounted cash flows requires significant estimates by management. Subsequent changes in estimated undiscounted cash flows could impact the determination of whether impairment exists. No impairment loss has been recognized as of June 30, 2017.

Debt Issuance Costs and Amortization

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the straight-line method.

Rental Income

Rental income is recognized for apartment rentals as it accrues. Advance receipts of rental income is deferred or classified as liabilities until earned.

Income Taxes and Uncertain Tax Positions

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions relating to potential sources of unrelated business income. The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service and believes that its positions will be sustained upon examination.

The Organization's federal *Return of Organization Exempt From Income Tax* (Form 990) for 2016, 2015 and 2014, are subject to examination by the IRS, generally for three years after they were filed.

Note 2: Summary of Significant Accounting Policies (continued)

The Partnership is not a taxpaying entity, thus no provision or benefit for income taxes has been included in these financial statements. All taxable income or loss passes through to, and is reportable by, the partners on their respective tax returns. Beginning in 1988, the State of California extended the minimum franchise tax (\$800) to include limited partnerships.

The LLC is a disregarded entity for purposes of federal income tax.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Expense

The Organization expenses advertising production costs as they are incurred and advertising communication costs the first time advertising takes place. Any costs which meet the requirements to be capitalized are not material.

Contributions

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Leases

The Organization is a lessor of land, improvements, buildings and equipment under operating leases to residents. The cost of the leased property and the accumulated depreciation are as shown on the face of the Combined Statements of Financial Position (see also Note 9). The Organization generally executes a lease for a term of one year. Leases are renewed with residents on an annual basis.

Concentration of Risk

The Organization maintains its cash balances at several financial institutions. Cash balances include reserve funds, trust funds and escrow deposits. The Organization's cash deposits exceeded the Federal Deposit Insurance Corporation limits at various times during the fiscal year ended June 30, 2017. The Organization has not experienced any losses in such accounts and does not believe that it is exposed to any significant credit risk on cash and cash equivalents.

Note 2: Summary of Significant Accounting Policies (continued)

Concentration of Risk (continued)

The Organization operates rental housing within the City of Vacaville, California. Thus, changes in the economy of the Vacaville area possibly would impact the rental income received by the Organization.

Real Estate Taxes

The Organization qualifies for the welfare exemption from property taxes under Section 214 of the California Revenue and Taxation Code.

Change in Accounting Principle

During the year ended June 30, 2017, the Organization adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). Under this new accounting policy, the Organization presents all debt issuance costs as a direct deduction from the carrying amount of the related obligation in the combined statement of financial position. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method isn't materially different for the results that would have been obtained under the effective yield method.

The effects of the retrospective application of this accounting change on the year ended June 30, 2016, was to decrease total assets and long-term liabilities by \$324,640 and reclassify \$33,929 of amortization to interest expense in the combined statement of activities.

Note 3: Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand or in demand accounts and highly liquid investments purchased with an original maturity of three months or less.

Note 4: Accounts Receivable

Accounts receivable consist entirely of rents receivable from residents and are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Because of the inherent uncertainties in estimating the allowance for doubtful accounts, it is at least reasonably possible that the estimates used will change within the near term. Based on experience, management believes no allowance is necessary as of June 30, 2017 or 2016.

Note 5: Fair Value Measurements

The Organization reports certain assets at fair value in the combined financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset.

The Organization invests in Certificates of Deposit (CDs) and U.S. government obligations mutual funds which are traded in the financial markets. Those CDs and mutual funds are valued by the custodians of the securities using price models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2. The fair value of the Organization's investment agreement with *Westdeutsche Landesbank Girozentrale* (a German public law banking institution acting through its New York branch), is based on the fair value as reported by U.S. Bank. This is considered to be a Level 3 measurement.

Note 5: Fair Value Measurements (continued)

The following table presents assets measured at fair value on a recurring basis at June 30, 2017:

	Fair Value Measurements at Report Date Using:			
Assets	Totals	Level 1	Level 2	Level 3
Operating investments				
Certificates of deposit	\$457,862	-	457,862	-
	\$457,862	-	457,862	-
Loan trust funds (see Note 8)				
First American U.S. Treasury Obligations Mutual Fund	\$1,702,509	-	1,702,509	-
<i>Westdeutsche Landesbank Girozentrale</i> investment agreement	727,088	-	-	727,088
	\$2,429,597	-	1,702,509	727,088
Replacement reserves (see Notes 8 & 22)				
Cash and money market funds at cost	\$122,531	-	-	-
	\$122,531	-	-	-
Operating reserves (see Notes 8 & 22)				
Certificates of deposit	\$830,798	-	830,798	-
	\$830,798	-	830,798	-
Security deposits (see Notes 7 & 8)				
Cash at cost	\$28,479	-	-	-
Certificates of deposit	195,468	-	195,468	-
	\$223,947	-	195,468	-

Note 6: Subsequent Events

In preparing these financial statements, Vacaville Community Housing has evaluated events and transactions for potential recognition or disclosure through September 6, 2017, the date the financial statements were available to be issued.

Note 7: Security Deposits

Residents are required to pay a security deposit prior to occupancy. The money is held in trust by the Organization in separate bank accounts. The balance of security deposits payable at June 30, 2017 and 2016, was \$217,007 and \$220,762, respectively.

Note 8: Restricted Deposits and Reserves

Restricted deposits and reserves at June 30 consisted of the following (see Note 5, *Fair Value Measurements*):

	2017	2016
Loan Trust Funds:		
Bond fund	\$260,497	\$243,044
Reserve fund	727,088	727,088
Replacement reserve	409,363	309,191
Pledge fund	251	251
Revenue fund	857,378	808,966
Subsidy fund	175,020	175,374
Subtotal loan trust funds	2,429,597	2,263,914
Replacement Reserves (Note 22):		
Willows	17,294	44,963
Highlands	5,312	0
Orchard Maples	6,486	0
Hillside Seniors	24,316	19,805
Meadows Court	69,123	52,548
Subtotal replacement reserves	122,531	117,316
Operating Reserves (Note 22):		
Orchard Maples	249,609	301,422
Willows	473,008	411,407
Highlands	108,181	63,644
Subtotal operating reserves	830,798	776,473
Security Deposits (Note 7):		
Orchard Maples	95,134	94,186
Highlands	5,883	5,883
Hillside Seniors	9,150	9,100
Willows	86,220	85,666
Meadows Court	27,560	27,290
Subtotal security deposits	223,947	222,125
Total restricted deposits and reserves	\$3,606,873	\$3,379,828

Note 8: Restricted Deposits and Reserves (continued)

Loan Trust Funds are held by US Bank in accordance with the terms of the *Indenture of Trust* dated July 1, 2000, by and between the Redevelopment Agency of the City of Vacaville and U.S. Bank Trust National Association relating to \$9,310,000 Redevelopment Agency of the City of Vacaville Multifamily Housing and Refunding Bonds (Vacaville Community Housing Financing) Series 2000A. The use of the funds is limited by the provisions of this agreement.

Note 9: Fixed Assets

Fixed assets at June 30, 2017, consisted of the following:

	Other	Highlands	Hillside Seniors	Orchard Maples	Meadows Court	Willows	Total
<u>Nondepreciable:</u>							
Land	\$0	350,000	255,701	2,009,850	1,028,423	836,573	\$4,480,547
<u>Depreciable:</u>							
Buildings and improvements	0	1,045,751	1,239,405	13,368,072	5,857,750	8,257,609	29,768,587
Furniture and equipment	1,166	0	71,233	5,165	30,262	0	107,826
Total fixed assets	1,166	1,395,751	1,566,339	15,383,087	6,916,435	9,094,182	34,356,960
Less accumulated depreciation	(1,166)	(272,638)	(688,187)	(8,549,419)	(1,865,805)	(5,209,343)	(16,586,558)
Fixed assets, net	\$0	1,123,113	878,152	6,833,668	5,050,630	3,884,839	\$17,770,402

Fixed assets at June 30, 2016, consisted of the following:

	Other	Highlands	Hillside Seniors	Orchard Maples	Meadows Court	Willows	Total
<u>Nondepreciable:</u>							
Land	\$0	350,000	255,701	2,009,850	1,028,423	836,573	\$4,480,547
<u>Depreciable:</u>							
Buildings and improvements	0	1,045,751	1,239,405	13,359,182	5,803,906	8,257,609	29,705,853
Furniture and equipment	1,166	0	71,233	5,165	30,262	0	107,826
Total fixed assets	1,166	1,395,751	1,566,339	15,374,197	6,862,591	9,094,182	34,294,226
Less accumulated depreciation	(1,166)	(246,226)	(659,833)	(8,281,884)	(1,700,781)	(4,988,734)	(15,878,624)
Fixed assets, net	\$0	1,149,525	906,506	7,092,313	5,161,810	4,105,448	\$18,415,602

Note 9: Fixed Assets (continued)

Depreciation expense for the years ended June 30, 2017 and 2016, was \$707,935 and \$782,381, respectively. See Note 10, *Long Term Debt*, regarding security interests in real estate.

Note 10: Long Term Debt

The Organization's long term debt consists of the following:

Long Term Debt	2017	2016
Non-interest bearing note payable to the Redevelopment Agency of the City of Vacaville dated June 19, 1991, in the original amount of \$622,286. The note is payable in full on June 19, 2021, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or Affordable Housing Agreement.	\$622,286	622,286
Non-interest bearing note payable to the Redevelopment Agency of the City of Vacaville dated June 19, 1991, in the original amount of \$184,714. The note is payable in full on June 19, 2021, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or Affordable Housing Agreement.	184,714	184,714
Non-interest bearing note payable to the City of Vacaville dated June 22, 1992, in the original amount of \$436,000. The note is payable in full on June 22, 2032. Annual payments from Surplus Cash are required as defined in the promissory note. At borrower's request, the note may be extended beyond the maturity date. For each year that the note is extended, 1/20th of the remaining balance of the note shall be forgiven so long as borrower remains in compliance with the terms of the Note and the Affordable Housing Agreement.	411,000	411,000
Non-interest bearing note payable to the City of Vacaville dated October 2, 1991, and modified on January 1, 2007, in the original amount of \$549,100. Repayment of the note is deferred until October 1, 2021, or until sale, conveyance, assignment or transfer of the secured property, whichever comes first.	549,100	549,100

Long Term Debt	2017	2016
Non-interest bearing note payable to the City of Vacaville dated August 30, 1993, and modified on March 5, 2008, in the original amount of \$161,500. Repayment of the note is deferred until August 30, 2023, or until sale, conveyance, assignment or transfer of the secured property, whichever comes first.	161,500	161,500
Non-interest bearing note payable dated August 30, 1993, and modified on June 24, 2009, to the City of Vacaville in the original amount of \$161,500. Repayment of the note is deferred until July 1, 2065, or until sale, conveyance, assignment or transfer of the secured property, or when the property is no longer managed as affordable housing, whichever comes first.	38,251	38,251
Non-interest bearing note payable dated October 2, 1991, and modified on June 24, 2009, to the City of Vacaville in the original amount of \$598,900. Repayment of the note is deferred until July 1, 2065, or until sale, conveyance, assignment or transfer of the secured property, or when the property is no longer managed as affordable housing, whichever comes first.	82,603	82,603
Note payable dated April 22, 1993, and subsequently modified on March 15, 2001, to Leroy and Sandra Fadley in the original amount of \$500,000. The note bears interest at the rate of 6.8% per annum and is payable in full on April 30, 2023. Monthly payments of principal and interest are \$2,642. Interest expense for the years ended June 30, 2017 and 2016, was \$11,123 and \$12,473, respectively. As of June 30, 2017 and 2016, accrued interest was \$873 and \$989, respectively.	154,087	174,553
Non-interest bearing note payable to the City of Vacaville dated April 22, 1993, in the original amount of \$285,000. The note is payable in full on April 22, 2023, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or Affordable Housing Agreement. Annual payments from Surplus Cash are required as defined in the promissory note.	285,000	285,000

Long Term Debt	2017	2016
Non-interest bearing note payable to the City of Vacaville dated October 8, 1992, and modified on March 5, 2008, in the original amount of \$302,700. Repayment of the note is deferred until October 8, 2022, or until sale, conveyance, assignment or transfer of the secured property, whichever comes first.	302,700	302,700
Non-interest bearing note payable dated October 8, 1992, and modified on June 24, 2009, to the City of Vacaville in the original amount of \$327,300. Repayment of the note is deferred until July 1, 2065, or until sale, conveyance, assignment or transfer of the secured property, or when the property is no longer managed as affordable housing, whichever comes first.	57,673	57,673
Non-interest bearing note payable to the Redevelopment Agency of the City of Vacaville dated January 10, 1994, in the original amount of \$615,000. The note is payable in full on January 10, 2024, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or Affordable Housing Agreement. Annual payments from Surplus Cash are required as defined in the promissory note.	615,000	615,000
Non-interest bearing HOME loan payable to the City of Vacaville dated January 10, 1994, in the original amount of \$344,000. The note is payable in full on January 10, 2024, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or HOME Program Regulatory Agreement. Annual payments from Surplus Cash are required as defined in the promissory note.	344,000	344,000
Non-interest bearing HOME loan payable to the City of Vacaville dated May 23, 1994, in the original amount of \$456,000. The note is payable in full on May 23, 2024, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or HOME Program Regulatory Agreement. Annual payments from Surplus Cash are required as defined in the promissory note.	456,000	456,000

Long Term Debt	2017	2016
Non-interest bearing note payable dated May 23, 1994, to the City of Vacaville in the original amount of \$456,000, with additional loan advance dated October 5, 1994, in the original amount of \$65,000. The note was modified on June 24, 2009. Repayment of the note is deferred until July 1, 2065, or until sale, conveyance, assignment or transfer of the secured property, or when the property is no longer managed as affordable housing, whichever comes first.	151,127	151,127
Non-interest bearing HOME loan payable to the City of Vacaville dated December 1, 1994, in the original amount of \$474,975. The note is payable in full on December 1, 2024, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or HOME Program Regulatory Agreement. Annual payments from Surplus Cash are required as defined in the promissory note.	474,975	474,975
Non-interest bearing HOME loan payable to the City of Vacaville dated December 1, 1994, in the original amount of \$675,025. The note is payable in full on December 1, 2024, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or HOME Program Regulatory Agreement. Annual payments from Surplus Cash are required as defined in the promissory note.	350,025	350,025
Non-interest bearing HOME loan payable to the City of Vacaville dated July 8, 1996, in the original amount of \$173,250. The note is payable in full on July 8, 2026, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or HOME Program Regulatory Agreement. Annual payments from Surplus Cash are required as defined in the promissory note.	173,250	173,250

Long Term Debt	2017	2016
Non-interest bearing note payable to the Redevelopment Agency of the City of Vacaville dated August 28, 1995, in the original amount of \$600,000, with additional loan advance dated September 3, 1996, in the original amount of \$50,000. The notes are payable in full on August 28, 2025, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Notes, Deeds of Trust or Affordable Housing Agreements. Annual payments from Surplus Cash are required as defined in the promissory notes.	650,000	650,000
Non-interest bearing HOME loan payable to the City of Vacaville dated August 28, 1995, in the original amount of \$1,277,500. The note is payable in full on August 28, 2025, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or HOME Program Regulatory Agreement. Annual payments from Surplus Cash are required as defined in the promissory note.	1,277,500	1,277,500
Non-interest bearing note payable to the Redevelopment Agency of the City of Vacaville dated May 30, 1996, in the original amount of \$128,000. The note is payable in full on May 30, 2026, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or Affordable Housing Agreement. Annual payments from Surplus Cash are required as defined in the promissory note.	128,000	128,000
Non-interest bearing notes payable to the City of Vacaville dated October 30, 1995, and modified on June 24, 2009, in the original amount of \$342,000, with additional loan advance dated August 30, 1996, in the original amount of \$80,000. Repayment of the \$342,000 note is deferred until July 1, 2065, or until sale, conveyance, assignment or transfer of the secured property, or when the property is no longer managed as affordable housing, whichever comes first. The \$80,000 note is due in full on August 30, 2026.	214,250	214,250

Long Term Debt	2017	2016
Non-interest bearing note payable to the City of Vacaville dated July 8, 1996, and modified on June 24, 2009, in the original amount of \$45,200. Repayment of the note is deferred until July 1, 2065, or until sale, conveyance, assignment or transfer of the secured property, or when the property is no longer managed as affordable housing, whichever comes first.	20,033	20,033
Non-interest bearing note payable to the City of Vacaville dated April 14, 1997, and modified on June 24, 2009, in the original amount of \$516,350. Repayment of the note is deferred until July 1, 2065, or until sale, conveyance, assignment or transfer of the secured property, or when the property is no longer managed as affordable housing, whichever comes first.	252,084	252,084
Non-interest bearing HOME loan payable to the City of Vacaville dated March 14, 1997, and modified on March 5, 2008, in the original amount of \$449,004, with additional loan advance in the amount of \$15,000. Repayment of the note is deferred until March 14, 2027, or until sale, conveyance, assignment or transfer of the secured property, whichever comes first.	464,004	464,004
Non-interest bearing notes payable to the Redevelopment Agency of the City of Vacaville dated March 14, 1997, in the original amount of \$516,350, with additional loan advance dated April 14, 1997, in the original amount of \$208,000. The notes are payable in full on April 1, 2027, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or Affordable Housing Agreement. Annual payments from Surplus Cash are required as defined in the promissory notes.	574,358	574,358
Non-interest bearing HOME loan payable to the City of Vacaville dated March 14, 1997, in the original amount of \$779,250. The note is payable in full on March 14, 2027, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or HOME Program Regulatory Agreement. Annual payments from Surplus Cash are required as defined in the promissory note.	779,250	779,250

Long Term Debt	2017	2016
Non-interest bearing note payable to the Redevelopment Agency of the City of Vacaville dated December 1, 1994, in the original amount of \$455,000. The note is payable in full on December 1, 2024, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or Affordable Housing Agreement. Annual payments from Surplus Cash are required as defined in the promissory note.	455,000	455,000
Non-interest bearing note payable to the Redevelopment Agency of the City of Vacaville dated December 22, 2004, and modified on February 10, 2005, and June 24, 2009, in the original amount of \$500,000. Repayment of the note is upon the earliest of July 1, 2065, or the date of any transfer not authorized by the Agency, or the date on which the property is no longer subject to the Regulatory Agreement recorded against the property.	500,000	500,000
Non-interest bearing note payable to the Redevelopment Agency of the City of Vacaville dated December 22, 2004, in the original amount of \$200,500. The note is payable in full on December 22, 2034, but may be deferred in unlimited five-year increments by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or Affordable Housing Agreement.	200,500	200,500
Non-interest bearing HOME loan payable to the City of Vacaville dated December 22, 2004, in the original amount of \$443,500. The note is payable in full on December 22, 2034, but may be deferred for one five-year period by the borrower so long as the borrower is not in default of any provisions of the Note, Deed of Trust or HOME Program Regulatory Agreement.	443,500	443,500
Non-interest bearing note payable to the City of Vacaville dated February 10, 2005, and modified on June 24, 2009, in the original amount of \$141,500. Repayment of the note is deferred until July 1, 2065, or until sale, conveyance, assignment or transfer of the secured property, or when the property is no longer managed as affordable housing, whichever comes first.	123,088	123,088

Long Term Debt	2017	2016
Non-interest bearing HOME loan payable to the City of Vacaville dated February 10, 2005, in the original amount of \$141,500. The note is payable in full on February 10, 2035.	141,500	141,500
Note payable evidencing the Primary Loan to the Redevelopment Agency of the City of Vacaville dated July 1, 2000, in the original amount of \$6,945,260, according to the terms of the Loan Agreement among the Redevelopment Agency of the City of Vacaville, U.S. Bank Trust National Association and Vacaville Community Housing. The note bears variable interest rates from 4.7% in 2000, to 6.0% in 2024, and is due in full on November 1, 2024. The interest rate for the year ended June 30, 2017, was 6.0%. Monthly payments of principal and interest are \$45,685. Interest expense for the years ended June 30, 2017 and 2016, was \$209,440 and \$229,878, respectively. Accrued interest as of June 30, 2017 and 2016, was \$16,785 and \$18,389, respectively.	3,357,000	3,677,780
Loan funds were provided from the proceeds of \$9,310,000 Redevelopment Agency of the City of Vacaville Multifamily Housing Revenue and Refunding Bonds (Vacaville Community Housing Financing) Series 2000A. The Bonds are limited obligations of the Agency payable solely from an irrevocable pledge of Revenues as defined in the Indenture of Trust. The Revenues pledged under the Indenture consist primarily of amounts received as repayments of the Primary Loan and a portion of the Agency's available Housing Set-Aside Revenues, which the Agency has agreed to deposit into the Subsidy Fund (see note 8) pursuant to the Housing Assistance Pledge Agreement in an amount equal to 24.6% of the principal and interest due and payable annually on the Bonds in order to secure repayment of the Bonds.		

Long Term Debt	2017	2016
Non-interest bearing note payable evidencing the Residual Loan to the Redevelopment Agency of the City of Vacaville dated July 1, 2000, in the original amount of \$2,364,740, according to the terms of the Loan Agreement among the Redevelopment Agency of the City of Vacaville, U.S. Bank Trust National Association and Vacaville Community Housing. Annual payments from Surplus Cash are required as defined in the Repayment Agreement commencing in December of 2024.	2,364,740	2,364,740
Loan funds were provided from the proceeds of \$9,310,000 Redevelopment Agency of the City of Vacaville Multifamily Housing Revenue and Refunding Bonds (Vacaville Community Housing Financing) Series 2000A as described above.		
Note payable to the City of Vacaville dated July 1, 2000, in the original amount of \$1,000,000 evidencing the Subsidy Loan. The note bears interest at a rate of 3.0% per annum and is due in full on July 17, 2041. All payments under the terms of the note are deferred until the maturity date. Accrued interest as of June 30, 2017 and 2016, was \$508,849 and \$478,849, respectively.	1,000,000	1,000,000
Note payable dated November 1, 2005, to Northeast Bank in the original amount of \$3,860,000. The loan bears interest at the rate of 5.21% per annum and is due in full on December 1, 2035. Monthly payments of principal and interest are \$21,220. Interest expense for the years ended June 30, 2017 and 2016, was \$172,697 and \$164,403, respectively. Accrued interest as of June 30, 2017 and 2016, was \$13,109 and \$13,520, respectively.	3,011,215	3,113,961
Loan funds were provided from the proceeds of \$3,860,000 Redevelopment Agency of the City of Vacaville Multifamily Housing Revenue Bonds (Meadows Court Apartments) 2005 Series A.		
Non-interest bearing note payable to the City of Vacaville dated November 7, 2005, and modified on June 24, 2009, in the original amount of \$850,000. Repayment of the note is deferred until July 1, 2065, or until sale, conveyance, assignment or transfer of the secured property, or when the property is no longer managed as affordable housing, whichever comes first.	850,000	850,000

Long Term Debt	2017	2016
Note payable to the City of Vacaville dated November 1, 2005, in the original amount of \$1,498,540 evidencing the Agency Loan. The note bears interest at a rate of 3.0% per annum and is due in full on November 1, 2060. All payments under the terms of the note are deferred until January 1, 2036, at which time monthly payments of principal and interest in the amount of \$11,266 will commence. Interest expense for the years ended June 30, 2017 and 2016, was \$44,956 in both years. Accrued interest as of June 30, 2017 and 2016, was \$524,448 and \$479,491, respectively.	1,498,540	1,498,540
HOME loan payable to the City of Vacaville dated November 1, 2005, in the original amount of \$1,220,000 evidencing the Agency Bridge Loan. The note bears interest at a rate of 3.0% per annum and is due in full upon the earlier of fifty-five years following the Completion of Rehabilitation of Meadows Court apartments or October 1, 2062. All payments under the terms of the note are deferred until the maturity date. Interest expense for the years ended June 30, 2017 and 2016, was \$36,600 in both years. Accrued interest as of June 30, 2017 and 2016, was \$426,967 and \$390,367, respectively.	1,220,000	1,220,000
HOME loan, dated May 31, 2000, payable to the City of Vacaville in the original amount of \$702,500. The loan bears interest at the simple rate of 3% per annum. Repayment of principal and interest is deferred until May 31, 2020, or until sale, conveyance, assignment or transfer of the secured property, whichever comes first. A five-year extension of the original maturity date was granted by the City of Vacaville in March 2015. The loan is secured by a Deed of Trust on the Partnership's property. Interest expense for the years ended June 30, 2017 and 2016, was \$21,075 and \$10,537, respectively. Accrued interest as of June 30, 2017 and 2016, was \$361,099 and \$340,024, respectively.	702,500	702,500

Long Term Debt	2017	2016
Promissory Note dated May 31, 2000, in the original amount of \$702,500 and subsequently modified on August 10, 2006, payable to the Redevelopment Agency of the City of Vacaville. The loan bears interest at the rate of 3% and is due in full on May 1, 2020. Monthly payments of principal and interest are \$1,832. The loan is secured by a Deed of Trust on the Partnership's property. Interest expense for the years ended June 30, 2017 and 2016, was \$2,093 and \$1,265, respectively.	60,892	80,517
Non-interest bearing rehabilitation and capital improvement note dated July 10, 2007, to the Redevelopment Agency of the City of Vacaville. All payments under the terms of the note are deferred until the maturity date. The note is payable in full on July 10, 2062.	450,000	450,000
Non-interest bearing promissory note payable dated August 21, 2009, to the Vacaville Redevelopment Agency in the original amount of \$3,000,000. All payments under the terms of the note are deferred until the maturity date. The note is due in full on July 1, 2065.	3,000,000	3,000,000
Promissory note dated January 27, 2015, in the original amount of \$35,000 to Corporation for Supportive Housing. The loan bears interest at the rate of 0% for the first 24-months and 6% thereafter. Principal and interest are due the earlier of closing of predevelopment or construction financing, or 36-months from the date of the promissory note.	0	35,000

Long Term Debt	2017	2016
HOME loan payable to the Redevelopment Agency of the City of Vacaville dated November 1, 2005, in the original amount of \$69,278. The note bears interest at the rate of 1.0% per annum and is due in full upon the earlier of fifty-five years following the Completion of Rehabilitation of Meadows Court apartments or October 1, 2062. All payments under the terms of the note are deferred until the maturity date. Interest expense for the years ended June 30, 2017 and 2016, was \$693 in both years. Accrued interest as of June 30, 2017 and 2016, was \$8,082 and \$7,389, respectively.	69,278	69,278
Subtotal long term debt	29,220,523	29,719,140
Accrued interest, long term portion	1,829,444	1,696,120
Less financing costs	(290,711)	(324,640)
Less current maturities	(481,232)	(455,499)
Total long term debt	<u>\$30,278,024</u>	<u>\$30,635,121</u>

The notes are collateralized by Deeds of Trust and the total liability of the Organization and Partnership is limited to the underlying value of the real estate collateral (see note 9). Interest expense for the years ended June 30, 2017 and 2016, was \$562,605 and \$564,735 respectively.

Several of the notes listed above to the City of Vacaville and the Redevelopment Agency of the City of Vacaville require payments of Surplus Cash as defined in the loan agreements. See Computation of Surplus Cash under Supplemental Information. No surplus cash payments were made to the City of Vacaville during the years ended June 30, 2017 and 2016.

Aggregate maturities of long term debt for the next five years are as follows:

June 30, 2018	\$481,232
2019	507,353
2020	1,238,494
2021	546,193
2022	580,403
Thereafter	<u>25,866,848</u>
Total	<u>\$29,220,523</u>

Note 11: Transactions With Related Parties

During the years ended June 30, 2017 and 2016, Vacaville Community Housing was paid \$84,210 and \$82,635, respectively, for asset management fees by Orchard Maples, Highlands, Hillside Seniors, Willows and Meadows Court. The related revenue and expense have been eliminated on the combined statements of financial position and activities.

During the year ended June 30, 2017, the Organization's promissory note in the amount of \$35,000 to Corporation for Supportive Housing (see Note 10), was paid in full by Meadows Holly Partners, L.P. (see Note 24).

See notes 13, 14, 18, 20 and 24 for transactions with the various limited partnerships in which the Organization acts as general partner.

Note 12: Resident Service Fees

Resident service fees consisted of the following for the year ended June 30:

	2017	2016
Laundry and vending	\$37,655	\$38,239
NSF and late fees	19,554	23,679
Damage and cleaning	18,834	21,181
Other reimbursements	7,159	7,410
Total resident service fees	<u>\$83,202</u>	<u>\$90,509</u>

Note 13: Limited Partnerships

Vacaville Community Housing accounts for its investments in limited partnerships using the equity method of accounting as the Organization has significant influence over, but not control of, the partnerships. Under the equity method, the initial investment is recorded at cost, increased or decreased by the Organization's share of income or losses, and increased or decreased by contributions or distributions. Under the equity method, the Organization's share of losses are not recognized once the investment in the partnerships has been reduced to zero.

The Organization acts as the general partner in various limited partnerships, which were formed to operate low-income housing in Vacaville, California, utilizing the low-income housing tax credit pursuant to Section 42 of the Internal Revenue Code, as follows:

Note 13: Limited Partnerships (continued)

Limited Partnership	Ownership	Capital Account Balance
Vacaville Meadows Limited, a California Limited Partnership (Vacaville Meadows Apartments, 65 units)	0.020%	(\$241,018)
Vacaville Gables Limited, a California Limited Partnership (Vacaville Gables, 65 units)	0.025%	(90,336)
Callen Street Investors, L.P., a California Limited Partnership (Kimme Place, 66 units)	0.020%	(1)
Rocky Hill Investors, L.P., a California Limited Partnership (Rocky Hill and Bennett Hill Apartments, 64 units)	0.020%	(12)
Meadows Holly Partners, L.P., a California Limited Partnership	0.005%	0
Trower Housing Partners, L.P., a California Limited Partnership (Meadows Court, 102 units)	0.004%	0
Vacaville Depot Limited, a California Limited Partnership (Lincoln Corner Apartments, 134 units)	0.010%	(1,184)
Vacaville Hillside Seniors Limited, a California Limited Partnership (Hillside Seniors, 15 units)	0.005%	(1,026)
Total capital accounts		<u>(\$333,577)</u>

As general partner, the Organization's assets may be at risk for any claims that could arise from the activities of the partnerships.

Note 14: Advances to Limited Partnerships

Advances to limited partnerships consisted of the following at June 30:

	2017	2014
Vacaville Meadows Limited	\$69,905	\$74,405
Trower Housing Partners	34,935	34,935
Total advances	<u>\$104,840</u>	<u>\$109,340</u>

Note 15: Reclassification

Operating investments in the amount of \$170,088 (see Note 5) were reclassified from cash and cash equivalents in the combined statement of financial position for the year ended June 30, 2016, to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

Note 16: Property Management Fees

On April 1, 2012, the Organization entered into a contract with AWI Management Corporation in Auburn, California, to manage the properties directly owned by the Organization. The *Property Management Agreement* may be terminated upon sixty days notice from either party. The *Agreement* was amended on June 1, 2015, to change the management fee to 5.5% of revenue as defined in the *Agreement*.

Note 17: Commitments and Contingencies

Commitment to Provide Low Income Housing

In connection with financing received from the City of Vacaville and the Vacaville Redevelopment Agency, the Organization agrees to use the housing for the purpose of housing low and moderate income households in accordance with the provisions of the Community Redevelopment Law (California Health and Safety Code Section 33000, *et seq.*) and various Regulatory Agreements until July 1, 2065. In connection with financing received from the City of Vacaville under the HOME Program, the Organization has agreed that certain units will be HOME assisted units serving low, and very low-income families. These units, which may float throughout the properties, must be rented at rates affordable to low, and very low-income tenants in accordance with the regulatory agreement during the term of the loans. The Organization agrees that it will not lease any portion of the affordable housing units to other than HOME-eligible tenants, as defined in the HOME Program regulations.

The Partnership's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42 of the Internal Revenue Code. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the partners. In connection with financing received from the City of Vacaville and the Vacaville Redevelopment Agency under the HOME Program, the Partnership agrees to use the housing for the purpose of housing very-low, lower and low to moderate income households. The Partnership has agreed that 11 units will be HOME assisted units serving lower income households with incomes at or below 60% of area median income as defined by the U.S. Department of Housing and Urban Development. Not less than 3 of the 11 HOME units shall be occupied by very low-income households with incomes at or below 50% of area median income. These units, which may float throughout the property, must be rented at affordable rates in accordance with the regulatory agreement. The Partnership agrees that it will not lease any portion of the affordable housing units to other than HOME-eligible tenants, as defined in the HOME Program regulations (24 CFR 92).

Note 18: Other Income

Other income consisted of the following:

	2017	2016
Cable access agreements	\$6,305	\$3,322
Service fees (Rocky Hill Investors)	0	10,000
Other income	5	2,068
Total other income	<u>\$6,310</u>	<u>\$15,390</u>

Note 19: Vacaville Neighborhood Boys and Girls Club

On June 13, 2014, the Organization entered into an Agreement with the Vacaville Neighborhood Boys and Girls Club, a California nonprofit corporation, which has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Under the terms of the Agreement, Vacaville Neighborhood Boys and Girls Club operates youth programs at three sites owned by Vacaville Community Housing.

Note 20: Forgiveness of Debt and Acquisition of Limited Partnership Interest

In accordance with the *Assignment and Assumption Agreement* dated December 15, 2015, between VCH Senior Housing Partners, LLC, WNC Institutional Tax Credit Fund X California Series, L.P., and WNC Housing, L.P., asset management fees payable to the limited partner in connection with Vacaville Hillside Seniors Limited in the amount of \$48,136 were forgiven during the year ended June 30, 2016.

On December 17, 2015, the *Amended and Restated Agreement of Limited Partnership* of Vacaville Hillside Seniors Limited was amended to allow VCH Senior Housing Partners, LLC, to acquire the limited partnership interests of WNC Institutional Tax Credit Fund X California Series, L.P., a California Limited Partnership, and WNC Housing, L.P., a California Limited Partnership.

During the year ended June 30, 2017, a payable in the amount of \$10,003 in connection with the withdrawal of Bay Development Group, LLC, from the various limited partnerships in which the Organization acts as General Partner was forgiven.

Note 21: Functional Classification of Expenses

Functional expenses are allocated to a category of program services and to supporting services based on direct expenditures incurred. Expenses not directly chargeable to a particular functional category are allocated based on an analysis of personnel time and space or other resources utilized for the related activities.

Expenses by function for the year ended June 30, 2017, were as follows:

Program Services:

Provision of affordable housing	\$3,676,094
Total program services	<u>3,676,094</u>

Supporting Services:

Management and general	170,000
Fundraising	<u>0</u>
Total supporting services	<u>170,000</u>

Total expenses	<u><u>\$3,846,094</u></u>
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Note 22: Replacement and Operating Reserves

Under the terms of a *Replacement Reserve Agreement*, the Organization is required to make monthly deposits into a replacement reserve. Additionally, the General Partner, on behalf of the Partnership, shall establish an operating and maintenance account and shall deposit an annual amount equal to \$3,750 for the purpose of repairs, maintenance and capital improvements. Activity in the replacement reserve for the year ended June 30, 2017, was as follows (see Note 5):

	Willows	Highlands	Orchard Maples	Hillside Seniors	Meadows Court	Totals
Balance June 30, 2016	\$44,963	0	0	19,805	52,548	\$117,316
Additions	33,012	4,656	39,192	4,500	16,575	97,935
Interest	0	33	1,188	11	0	1,232
Transfers between accounts	0	623	(54,467)	0	53,844	0
Transfers (to) / from operating reserve	(60,681)	0	20,573	0	0	(40,108)
Withdrawals	0	0	0	0	(53,844)	(53,844)
Balance June 30, 2017	<u>\$17,294</u>	<u>5,312</u>	<u>6,486</u>	<u>24,316</u>	<u>69,123</u>	<u>\$122,531</u>

Note 22: Replacement and Operating Reserves (continued)

The Organization has established an operating reserve to fund operating cash flow deficits at the properties. The reserve is funded from Surplus Cash based on the need established by a formal reserve analysis. Activity in the operating reserve for the year ended June 30, 2017, was as follows (see Note 5):

	Willows	Orchard Maples	Highlands	Totals
Balance June 30, 2016	\$411,407	301,422	63,644	\$776,473
Additions	0	0	45,000	45,000
Transfers (to) / from replacement reserve	60,681	(20,573)	0	40,108
Interest	920	0	160	1,080
Withdrawals	0	(31,240)	(623)	(31,863)
Balance June 30, 2017	\$473,008	249,609	108,181	\$830,798

Note 23: Termination of the Organization

Under the terms of a Memorandum of Understanding dated May 22, 2017, between Vacaville Community Housing, Inc., and Eden Housing, Inc. (a California nonprofit public benefit corporation), it is the intention of Vacaville Community Housing to transfer its portfolio of properties and related liabilities to Eden Housing subsequent to the year ended June 30, 2017. The transfer is expected to be completed by December 31, 2017. Although no plan to dissolve Vacaville Community Housing has been adopted by the Organization's Board of Directors as of June 30, 2017, it is expected that the Organization will begin the dissolution process once the transfer of the portfolio has been completed. Any remaining assets will be donated to various nonprofit organizations.

FASB ASC 205, *The Liquidation Basis of Accounting*, requires an organization to prepare its financial statements using the liquidation basis of accounting when both of the following conditions are met: (1) the likelihood is remote that the organization will return from liquidation, and (2) a plan for liquidation is approved by the board of directors.

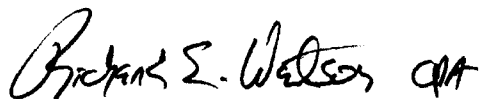
Note 24: Donation

During the year ended June 30, 2017, the Organization's promissory note in the amount of \$35,000 to Corporation for Supportive Housing (see Note 10), was paid in full by Meadows Holly Partners, L.P. (see Note 13).

**Independent Auditor's Report
On Supplementary Information**

To the Board of Directors
Vacaville Community Housing
Vacaville, California

I have audited the combined financial statements of Vacaville Community Housing for the years ended June 30, 2017 and 2016, and have issued my opinion thereon dated September 6, 2017, which is presented in the preceding section. My audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The following supplemental information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.



Sacramento, California
September 6, 2017

**Vacaville Community Housing
A California Nonprofit Corporation**

**Supplemental Information
Combined Schedules of Operating Expenses
Years Ended June 30, 2017 and 2016**

	2017	2016
Management fees		
Property management fees (Note 16)	\$ 206,099	\$ 201,726
Total management fees	206,099	201,726
Administrative		
Marketing and advertising	235	110
Credit reports	2,756	3,889
Legal	31,505	30,863
Audit and accounting	32,150	37,650
Telephone and internet	13,874	14,340
Office expense and supplies	17,414	22,439
Postage and shipping	5,603	5,516
Print and copy expense	4,059	2,931
Manager and office salaries	160,999	135,864
Employee units	110,294	89,652
Consulting and professional fees	106,089	89,160
Temporary employees and contract labor	57,641	45,664
Vacaville Neighborhood Boys and Girls Club (Note 19)	48,312	48,312
Bank fees and service charges	3,300	6,575
Bad debt expense	15,084	26,476
Training and conference	6,142	3,519
Travel and entertainment	937	1,556
Resident expense	5,541	3,557
Project / other expense	5,856	5,908
Total administrative	627,791	573,981
Utilities		
Gas and electricity	109,193	96,334
Water and sewer	365,052	340,548
Total utilities	474,245	436,882
Maintenance and repair		
Repair payroll	205,043	187,284
Janitor contract and supplies	1,209	1,735
Exterminating services	21,445	27,154
Trash removal	228,652	225,007
Security and supplies	66,434	69,734
Grounds contract and supplies	111,665	80,252
Plumbing repairs and replacements	24,745	14,645
HVAC repairs and replacements	42,674	42,320
Appliance repairs and replacement	27,704	18,339
Painting and decorating	41,536	23,312
Flooring and carpeting	46,216	66,097
Swimming pool maintenance	0	11,840
Other unit repairs and improvements	166,714	107,225
Total maintenance and repair	984,037	874,944
Taxes and insurance		
Real estate taxes and assessments	31,696	19,163
Payroll taxes	33,324	28,667
Property and liability insurance	98,058	75,101
Workers' compensation insurance	30,991	28,794
Employee benefits	54,685	56,127
Tax, license and fees	12,390	5,426
Total taxes and insurance	261,144	213,278
Total operating expenses	\$ 2,553,316	\$ 2,300,811

See accompanying notes to the financial statements.

**Vacaville Community Housing
Combining Statement of Financial Position
June 30, 2017**

	Orchard Maples	Willows	Meadows Court	Highlands	VCH Senior			VCH Totals	Hillside Seniors	Eliminations	Totals
					General	Housing Partners	Eliminations				
Assets											
Current Assets											
Cash and cash equivalents	\$ 92,055	37,550	10,655	26,923	111,190	0	0	\$ 278,373	6,066	0	\$ 284,439
Operating investments (note 5)	225,269	232,593	0	0	0	0	0	457,862	0	0	457,862
Accounts receivable, net	4,581	9,503	4,729	16	0	0	0	18,829	365	0	19,194
Partnership management fees receivable	0	0	0	0	77,221	0	(72,744)	4,477	0	(4,477)	0
Advances to limited partnerships	37,855	36,550	0	0	30,435	0	0	104,840	0	0	104,840
Due (to) / from	(336,525)	412,288	(437,704)	231,256	130,685	0	0	0	0	0	0
Prepaid expenses and deposits	176	0	0	0	0	0	0	176	0	0	176
Total current assets	23,411	728,484	(422,320)	258,195	349,531	0	(72,744)	864,557	6,431	(4,477)	866,511
Restricted Deposits and Reserves											
Loan trust funds	2,429,597	0	0	0	0	0	0	2,429,597	0	0	2,429,597
Replacement reserves	6,486	17,294	69,123	5,312	0	0	0	98,215	24,316	0	122,531
Operating reserves	249,609	473,008	0	108,181	0	0	0	830,798	0	0	830,798
Security deposits	95,134	86,220	27,560	5,883	0	0	0	214,797	9,150	0	223,947
Total restricted deposits and reserves	2,780,826	576,522	96,683	119,376	0	0	0	3,573,407	33,466	0	3,606,873
Fixed Assets (note 9)											
Land	2,009,850	836,573	1,028,423	350,000	0	0	0	4,224,846	255,701	0	4,480,547
Buildings and improvements	13,368,072	8,257,609	5,857,750	1,045,751	0	0	0	28,529,182	1,239,405	0	29,768,587
Furnishings and equipment	5,165	0	30,262	0	1,166	0	0	36,593	71,233	0	107,826
Accumulated depreciation	(8,549,419)	(5,209,343)	(1,865,805)	(272,638)	(1,166)	0	0	(15,898,371)	(688,187)	0	(16,586,558)
Total fixed assets	6,833,668	3,884,839	5,050,630	1,123,113	0	0	0	16,892,250	878,152	0	17,770,402
Total assets	\$ 9,637,905	5,189,845	4,724,993	1,500,684	349,531	0	(72,744)	\$ 21,330,214	918,049	(4,477)	\$ 22,243,786
Liabilities and Net Assets/(Deficit)											
Current Liabilities											
Accounts payable and accrued expenses	\$ 31,689	29,577	26,026	8,895	10,000	1,600	0	\$ 107,787	17,965	0	\$ 125,752
Deferred revenue	0	0	0	0	0	0	0	0	0	0	0
Asset management fees payable	0	3,267	69,285	192	0	0	(72,744)	0	4,477	(4,477)	0
Interest payable	16,785	873	13,109	0	0	0	0	30,767	0	0	30,767
Current maturities of long term debt	339,430	21,901	99,684	0	0	0	0	461,015	20,217	0	481,232
Total current liabilities	387,904	55,618	208,104	9,087	10,000	1,600	(72,744)	599,569	42,659	(4,477)	637,751
Other Liabilities											
Security deposits	93,576	81,163	27,535	5,883	0	0	0	208,157	8,850	0	217,007
Total other liabilities	93,576	81,163	27,535	5,883	0	0	0	208,157	8,850	0	217,007
Long Term Liabilities											
Mortgages and notes payable	11,868,228	7,917,890	6,521,714	1,408,588	450,000	0	0	28,166,420	763,392	0	28,929,812
Accrued interest	508,849	0	959,496	0	0	0	0	1,468,345	361,099	0	1,829,444
Less current maturities of long term debt	(339,430)	(21,901)	(99,684)	0	0	0	0	(461,015)	(20,217)	0	(481,232)
Total long term liabilities	12,037,647	7,895,989	7,381,526	1,408,588	450,000	0	0	29,173,750	1,104,274	0	30,278,024
Total liabilities	12,519,127	8,032,770	7,617,165	1,423,558	460,000	1,600	(72,744)	29,981,476	1,155,783	(4,477)	31,132,782
Net Assets/(Deficit)											
Unrestricted	(2,881,222)	(2,842,925)	(2,892,172)	77,126	(110,469)	(1,600)	0	(8,651,262)	(237,734)	0	(8,888,996)
Total net assets/(deficit)	(2,881,222)	(2,842,925)	(2,892,172)	77,126	(110,469)	(1,600)	0	(8,651,262)	(237,734)	0	(8,888,996)
Total liabilities and net assets/(deficit)	\$ 9,637,905	5,189,845	4,724,993	1,500,684	349,531	0	(72,744)	\$ 21,330,214	918,049	(4,477)	\$ 22,243,786

See accompanying notes to the financial statements.

**Vacaville Community Housing
Combining Statement of Activities
Year Ended June 30, 2017**

	Orchard Maples	Willows	Meadows Court	Highlands	General	VCH Senior Housing Partners	Eliminations	VCH Totals	Hillside Seniors	Eliminations	Totals
Revenue											
Net rental income	\$ 1,603,471	1,436,675	529,895	99,882	0	0	0	\$ 3,669,923	104,184	0	\$ 3,774,107
Interest income	49,739	1,325	51	193	82	0	0	51,390	10	0	51,400
Resident service fees	33,815	35,086	9,706	3,119	0	0	0	81,726	1,476	0	83,202
Debt forgiveness	0	0	0	0	10,003	0	0	10,003	0	0	10,003
Other income	0	0	0	0	6,310	0	0	6,310	0	0	6,310
Donations	0	0	0	0	35,000	0	0	35,000	0	0	35,000
Asset management fees	0	0	0	0	84,210	0	(81,060)	3,150	0	(3,150)	0
Total revenue	1,687,025	1,473,086	539,652	103,194	135,605	0	(81,060)	3,857,502	105,670	(3,150)	3,960,022
Operating Expenses											
Management fees	87,548	77,474	29,586	5,655	0	0	0	200,263	5,836	0	206,099
Administrative	235,807	201,429	35,660	14,108	124,326	0	0	611,330	16,461	0	627,791
Utilities	199,949	192,683	52,945	10,518	0	0	0	456,095	18,150	0	474,245
Maintenance and repair	440,940	367,692	108,952	35,319	0	0	0	952,903	31,134	0	984,037
Taxes and insurance	107,111	96,516	39,347	7,098	0	0	0	250,072	11,072	0	261,144
Total operating expenses	1,071,355	935,794	266,490	72,698	124,326	0	0	2,470,663	82,653	0	2,553,316
Net operating income / (loss)	615,670	537,292	273,162	30,496	11,279	0	(81,060)	1,386,839	23,017	(3,150)	1,406,706
Other expenses											
Interest expense	169,531	108,015	261,892	0	0	0	0	539,438	23,167	0	562,605
Credit rating fee	2,000	2,000	0	0	0	0	0	4,000	0	0	4,000
City of Vacaville administrative fee	6,634	5,004	5,000	0	0	0	0	16,638	0	0	16,638
Asset management fees	35,280	32,760	10,710	2,310	0	0	(81,060)	0	3,150	(3,150)	0
Minimum California franchise tax	0	0	0	0	0	800	0	800	800	0	1,600
Depreciation	267,536	220,609	165,024	26,412	0	0	0	679,581	28,354	0	707,935
Total other expenses	480,981	368,388	442,626	28,722	0	800	(81,060)	1,240,457	55,471	(3,150)	1,292,778
Change in net assets/(deficit)	134,689	168,904	(169,464)	1,774	11,279	(800)	0	146,382	(32,454)	0	113,928
Net assets/(deficit), beginning of year	(3,015,911)	(3,011,829)	(2,722,708)	75,352	(121,748)	(800)	0	(8,797,644)	(205,280)	0	(9,002,924)
Net assets/(deficit), end of year	\$ (2,881,222)	(2,842,925)	(2,892,172)	77,126	(110,469)	(1,600)	0	(8,651,262)	(237,734)	0	\$ (8,888,996)

See accompanying notes to the financial statements.

**Vacaville Community Housing
A California Nonprofit Corporation
Combining Statement of Cash Flows**

Year Ended June 30, 2017

Cash Flows From Operating Activities	Orchard Maples	Willows	Meadows Court	Highlands	General	VCH Senior Housing Partners	Eliminations	VCH		Totals
								Totals	Eliminations	
Change in net deficit	\$ 134,689	168,904	(169,464)	1,774	11,279	(800)	0	\$ 146,382	(32,454)	\$ 113,928
Adjustments to Reconcile Change in Net Deficit to Net Cash Provided by Operating Activities:										
Depreciation	267,536	220,609	165,024	26,412	0	0	0	679,581	28,354	707,935
Interest - financing costs	26,898	85	6,946	0	0	0	0	33,929	0	33,929
Decrease / (Increase) in Operating Assets -										
Accounts receivable	139	10,587	929	765	0	0	0	12,420	(385)	12,055
Advances to limited partnerships	0	0	0	0	4,500	0	0	4,500	0	4,500
Due to / from	147,847	(213,682)	56,847	(837)	9,825	0	0	0	0	0
Prepaid expenses and deposits	0	0	0	0	0	0	0	0	0	0
Security deposits	(948)	(554)	(270)	0	0	0	0	(1,772)	(50)	(1,822)
(Decrease) / Increase in Operating Liabilities -										
Accounts payable and accrued expenses	(4,076)	4,038	10,483	2,029	(8,770)	800	0	4,504	4,722	9,226
Deferred revenue	0	0	0	0	0	0	0	0	(162)	(162)
Asset management fees payable	0	0	0	0	0	0	0	0	0	0
Interest payable	28,396	(116)	81,938	0	0	0	0	110,118	21,075	131,193
Security deposits	(110)	(4,150)	755	0	0	0	0	(3,505)	(250)	(3,755)
Net cash provided by operating activities	800,371	185,721	153,088	30,143	16,834	0	0	986,157	20,870	1,007,027
Cash Flows From Investing Activities										
Investment in rental property	(8,890)	0	(53,845)	0	0	0	0	(62,735)	0	(62,735)
Purchases of operating investments, net	(140,228)	(147,546)	0	0	0	0	0	(287,774)	0	(287,774)
(Increase) / decrease in replacement reserves	(6,486)	27,669	(16,575)	(5,312)	0	0	0	(704)	(4,511)	(5,215)
(Increase) / decrease in operating reserves	51,813	(61,600)	0	(44,538)	0	0	0	(54,325)	0	(54,325)
(Increase) in loan trust funds	(165,683)	0	0	0	0	0	0	(165,683)	0	(165,683)
Net cash (used) by investing activities	(269,474)	(181,477)	(70,420)	(49,850)	0	0	0	(571,221)	(4,511)	(575,732)
Cash Flows From Financing Activities										
Payments on debt	(320,781)	(20,466)	(102,746)	0	(35,000)	0	0	(478,993)	(19,624)	(498,617)
Net cash (used) by financing activities	(320,781)	(20,466)	(102,746)	0	(35,000)	0	0	(478,993)	(19,624)	(498,617)
Net increase / (decrease) in cash	10,116	(16,222)	(20,078)	(19,707)	(18,166)	0	0	(64,057)	(3,265)	(67,322)
Cash, beginning of year	81,939	53,772	30,733	46,630	129,356	0	0	342,430	9,331	351,761
Cash, end of year	\$ 92,055	37,550	10,655	26,923	111,190	0	0	\$ 278,373	6,066	\$ 284,439
Supplemental disclosure of cash flow information:										
Cash paid during the year for interest	\$ 211,043	11,240	173,108	0	0	0	0	\$ 395,391	2,092	\$ 397,483
Cash paid during the year for real estate taxes	\$ 14,323	10,504	6,033	836	0	0	0	\$ 31,696	0	\$ 31,696

See accompanying notes to the financial statements.

**Vacaville Community Housing
Computation of Surplus Cash
For the Year Ended June 30, 2017**

	Orchard Maples	Willows	Meadows Court	Highlands	Hillside Seniors	General	Total
Receipts							
Gross potential rent	\$ 1,620,538	1,471,785	542,584	99,984	104,993	0	\$ 3,839,884
Vacancy loss / rental concessions	(17,067)	(35,110)	(12,689)	(102)	(809)	0	(65,777)
Investment income	49,739	1,325	51	193	10	82	51,400
Partnership/asset management fees	0	0	0	0	0	84,210	84,210
Other income	0	0	0	0	0	6,310	6,310
Donations	0	0	0	0	0	35,000	35,000
Resident service fees	33,815	35,086	9,706	3,119	1,476	0	83,202
Operating reserve draws (note 22)	31,240	0	0	623	0	0	31,863
Replacement reserve draws (note 22)	0	0	53,844	0	0	0	53,844
Total receipts	1,718,265	1,473,086	593,496	103,817	105,670	125,602	4,119,936
Disbursements							
Operating expenses	1,071,355	935,794	266,490	72,698	82,653	124,326	2,553,316
Deposits to replacement reserves (note 22)	39,192	33,012	16,575	4,656	4,500	0	97,935
Deposits to operating reserves (note 22)	0	0	0	45,000	0	0	45,000
Deposits to trust funds	55,008	44,988	0	0	0	0	99,996
Interest earned on reserves and trust funds	49,739	920	0	193	10	0	50,862
Asset management fees	35,280	32,760	10,710	2,310	3,150	0	84,210
Credit rating fee	2,000	2,000	0	0	0	0	4,000
City of Vacaville administrative fee	6,634	5,004	5,000	0	0	0	16,638
Net advances to limited partnerships	0	0	0	0	0	(4,500)	(4,500)
Additions to fixed assets	8,890	0	53,845	0	0	0	62,735
Surplus cash payment on City of Vacaville loans	0	0	0	0	0	0	0
Debt service principal and interest, and sinking fund	313,272	266,643	275,854	0	21,767	35,000	912,536
Total disbursements	1,581,370	1,321,121	628,474	124,857	112,080	154,826	3,922,728
Cash surplus/(deficit)	\$ 136,895	151,965	(34,978)	(21,040)	(6,410)	(29,224)	\$ 197,208

Surplus Cash is defined in the loan agreements with the City of Vacaville as the proceeds from the operation of the properties less payments of principal and interest on debt, all costs relating to the management of the properties, and all costs for the operation, maintenance and repair of the properties, including reasonable deposits to operating, repair and maintenance reserves.

See accompanying notes to the financial statements.

**Vacaville Community Housing
Combined Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Number or Pass-through Entity Identifying Number	Program or Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development				
Pass-through programs from:				
The City of Vacaville				
Home investments partnership program loans - 1994	14.239	-	\$ 1,625,000	\$ 1,625,000
Home investments partnership program loans - 1995	14.239	-	1,277,500	1,277,500
Home investments partnership program loans - 1996	14.239	-	173,250	173,250
Home investments partnership program loans - 1997	14.239	-	1,243,254	1,243,254
Home investments partnership program loans - 2000	14.239	-	702,500	702,500
Home investments partnership program loans - 2004	14.239	-	443,500	443,500
Home investments partnership program loans - 2005	14.239	-	1,430,777	1,430,777
Total pass-through programs			6,895,781	6,895,781
Total U.S. Department of Housing and Urban Development			6,895,781	6,895,781
Total expenditures of federal awards			\$ 6,895,781	\$ 6,895,781

Note 1 - Basis of Presentation

The accompanying combined schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Vacaville Community Housing under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of Vacaville Community Housing, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Vacaville Community Housing.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization did not elect to use the de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Federal Loans

Funds were used to acquire housing which is used in the Organization's housing programs. Loan funds were expended in prior years, and the Federal government imposes continuing compliance requirements on the loans.

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

To the Board of Directors
Vacaville Community Housing
Vacaville, California

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Vacaville Community Housing (a California Nonprofit Public Benefit Corporation) which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued my report thereon dated September 6, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the combined financial statements, I considered Vacaville Community Housing's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of Vacaville Community Housing's internal control.

My consideration of internal control was for the limited purpose described in preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefor, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified a deficiency in internal control that I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's combined financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency (Finding 2017-001) described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

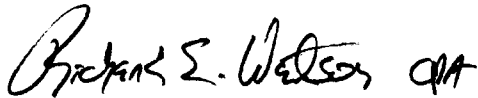
As part of obtaining reasonable assurance about whether Vacaville Community Housing's combined financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, loan agreements and other matters, noncompliance with which could have a direct and material effect on the determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Vacaville Community Housing's Response to Findings

Vacaville Community Housing's response to the finding identified in my audit is described in the accompanying Corrective Action Plan. Vacaville Community Housing's response was not subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Richard E. Wilson, CPA. The signature is in black ink and includes the initials "CPA" at the end.

Sacramento, California
September 6, 2017

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

To the Board of Directors
Vacaville Community Housing
Vacaville, California

Report on Compliance for Each Major Federal Program

I have audited Vacaville Community Housing's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Vacaville Community Housing's major federal programs for the year ended June 30, 2017. Vacaville Community Housing's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and loan agreements applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Vacaville Community Housing's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vacaville Community Housing's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Vacaville Community Housing's compliance.

Opinion on Each Major Federal Program

In my opinion, Vacaville Community Housing complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

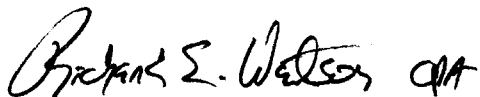
Management of Vacaville Community Housing is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Vacaville Community Housing's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Vacaville Community Housing's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
September 6, 2017

**Vacaville Community Housing
(A California Nonprofit Corporation)**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the combined financial statements of Vacaville Community Housing were prepared in accordance with GAAP.
2. One material weakness (see part B of this schedule), disclosed during the audit of the combined financial statements, is reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.
3. No instances of noncompliance material to the combined financial statements of Vacaville Community Housing, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*. No material weaknesses were reported.
5. The auditor's report on compliance for the major federal award programs for Vacaville Community Housing expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs include:

US Department of Housing and Urban Development, HOME Investments
Partnership Program Loans, CFDA 14.239.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Vacaville Community Housing did not qualify as a low-risk auditee.

**Vacaville Community Housing
(A California Nonprofit Corporation)**

**Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2017**

B. Findings - Financial Statement Audit

Material Weakness

2017-001 Preparation of Financial Statements

Condition

The combined financial statements prepared by Vacaville Community Housing were materially misstated resulting in numerous audit adjustments. This finding is a repeat finding and was reported in the prior year as 2016-001.

Effect

Loan trust fund accounts and outstanding loan balances were materially misstated.

Cause

The combined financial statements were not adjusted to agree to bank statements for loan trust fund accounts and outstanding loans.

Criteria

The management of Vacaville Community Housing is responsible for the basic combined financial statements and all accompanying information as well as all representations contained therein and their fair presentation in conformity with U.S. generally accepted accounting principles.

Recommendation

The Organization should agree the balances in loan trust fund accounts to the relevant bank statements on a monthly basis. Outstanding loan balances should be agreed to amortization schedules on a monthly basis. Adjusting entries should be made to the combined financial statements as appropriate.

Views of Responsible Officials and Planned Corrective Actions

Vacaville Community Housing concurs with the finding and will agree the relevant balances to amortization schedules and bank statements, as applicable, on a monthly basis as part of its normal closing process.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

**Vacaville Community Housing
(A California Nonprofit Corporation)**

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

Findings - Financial Statement Audit

2016-001 Preparation of Financial Statements

Condition

The combined financial statements prepared by Vacaville Community Housing were materially misstated resulting in numerous audit adjustments.

Recommendation

The Organization should agree the balances in loan trust fund accounts to the relevant bank statements on a monthly basis. Outstanding loan balances should be agreed to amortization schedules on a monthly basis. Adjusting entries should be made to the combined financial statements as appropriate.

Current Status

This finding is repeated in the current year as finding 2017-001.

**Vacaville Community Housing
(A California Nonprofit Corporation)**

**Corrective Action Plan
For the Year Ended June 30, 2017**

Findings - Financial Statement Audit

Material Weakness

2017-001 Preparation of Financial Statements

Vacaville Community Housing concurs with the finding and will agree the relevant balances to amortization schedules and bank statements, as applicable, on a monthly basis as part of its normal closing process.

See Note 23 - *Termination of the Organization*.

Name of Contact:

Charles Learned
Executive Director
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Vacaville, CA 95696
707.469.6246