

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the year ended December 31, 2017
with
Report of Independent Auditors

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
National Community Renaissance of California:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Community Renaissance of California, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statement of activities, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Community Renaissance of California as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information and Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2018, on our consideration of National Community Renaissance of California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of National Community Renaissance of California's 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 National Community Renaissance of California's internal control over financial reporting and compliance.

Novogradac & Company LLP

Walnut Creek, California
June 27, 2018

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

Assets

	National Community Renaissance of California	Housing Affiliates	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 10,239,705	\$ 11,341,735	\$ -	\$ 21,581,440
Reserve for security deposits held in trust	1,179,934	2,551,625	-	3,731,559
Restricted cash	18,504,436	22,171,010	-	40,675,446
Accounts receivable, net	3,812,480	1,410,505	(917,839)	4,305,146
Prepaid expenses	441,818	1,546,085	-	1,987,903
Advance due from affiliates, net	17,841,117	7,866	(12,134,310)	5,714,673
Project development costs receivable	1,024,887	-	(71,337)	953,550
Notes receivable, net	36,309,241	4,241,710	(40,550,951)	-
Developer fee receivable	10,775,334	-	(10,390,520)	384,814
Investments	2,225,027	-	-	2,225,027
Property, equipment and improvements, net	99,401,118	736,057,658	(11,157,540)	824,301,236
Deferred costs, net	6,444	3,117,420	-	3,123,864
Total assets	\$ 201,761,541	\$ 782,445,614	\$ (75,222,497)	\$ 908,984,658

Liabilities and Net Assets

Liabilities				
Accounts payable	\$ 1,861,917	\$ 10,862,055	\$ -	\$ 12,723,972
Accrued expenses	1,217,384	947,516	(309,056)	1,855,844
Security deposits	1,177,328	2,519,795	-	3,697,123
Deferred revenue	3,111,805	386,819	(2,964,219)	534,405
Accrued interest	5,395,227	74,761,361	(917,838)	79,238,750
Mortgages and notes payable, net	80,879,808	580,071,191	(40,536,261)	620,414,738
Due to affiliates	93,692	13,646,356	(12,728,802)	1,011,246
Developer fee payable	-	7,314,125	(6,718,981)	595,144
Total liabilities	93,737,161	690,509,218	(64,175,157)	720,071,222
Net assets				
Unrestricted net assets, controlling	58,461,892	2,857,525	(21,281,573)	40,037,844
Unrestricted net assets, non-controlling	-	89,078,871	10,234,233	99,313,104
Total unrestricted net assets	58,461,892	91,936,396	(11,047,340)	139,350,948
Temporarily restricted net assets	49,562,488	-	-	49,562,488
Total net assets	108,024,380	91,936,396	(11,047,340)	188,913,436
Total liabilities and net assets	\$ 201,761,541	\$ 782,445,614	\$ (75,222,497)	\$ 908,984,658

see accompanying notes

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	National Community Renaissance of California	Housing Affiliates	Temporarily Restricted Net Assets	Eliminations	Total
Revenues and gains					
Rental income, net of vacancy	\$ 19,702,600	\$ 42,740,410	\$ -	\$ -	\$ 62,443,010
Other rental income	694,649	1,289,419	-	-	1,984,068
Consulting, development and partnership fees	15,078,890	-	-	(4,463,919)	10,614,971
Management fees	2,757,532	-	-	(2,512,196)	245,336
Private donations - Hope Through Housing	775,462	-	-	-	775,462
Grants, including release of temporarily restricted net assets	2,310,029	72,038	(278,009)	-	2,104,058
Grants - Hope Through Housing	347,323	-	-	-	347,323
Interest	776,967	40,363	-	(100,223)	717,107
Gain on sale of rental property	-	11,047,299	-	(11,047,299)	-
Other revenue	2,716,131	151,563	-	(226,448)	2,641,246
Total revenues and gains	45,159,583	55,341,092	(278,009)	(18,350,085)	81,872,581
Expenses					
Program service expenses					
Administrative	3,867,308	4,943,268	-	(778,469)	8,032,107
Salaries and related expenses	4,014,264	6,656,954	-	-	10,671,218
Utilities	2,112,362	6,037,664	-	-	8,150,026
Operating and maintenance	3,666,773	7,070,168	-	-	10,736,941
Professional services	97,911	73,234	-	-	171,145
Taxes and insurance	1,308,059	2,430,433	-	-	3,738,492
Interest	1,961,926	17,300,118	-	(492,254)	18,769,790
Depreciation and amortization	2,797,810	22,834,752	-	-	25,632,562
Management fees	43,699	3,625,645	-	(3,194,647)	474,697
Loss on disposal of assets	2,000,000	-	-	-	2,000,000
Other expense	1,172,345	-	-	162,583	1,334,928
Total program service expenses	23,042,457	70,972,236	-	(4,302,787)	89,711,906
General and administrative expenses					
Administrative	1,867,949	-	-	-	1,867,949
Salaries and related expenses	9,713,788	-	-	-	9,713,788
Utilities	71,189	-	-	-	71,189
Operating and maintenance	79,261	-	-	-	79,261
Professional services	1,705,019	-	-	-	1,705,019
Taxes and insurance	152,168	-	-	-	152,168
Interest	423,998	-	-	-	423,998
Depreciation and amortization	335,573	-	-	-	335,573
Other expense	12,742	-	-	-	12,742
Total general and administrative expenses	14,361,687	-	-	-	14,361,687
Fundraising expenses					
Public relations - events	449,533	-	-	-	449,533
Total fundraising expenses	449,533	-	-	-	449,533
Total expenses	37,853,677	70,972,236	-	(4,302,787)	104,523,126
Increase (decrease) in net assets before non-controlling interest					
	7,305,906	(15,631,144)	(278,009)	(14,047,298)	(22,650,545)
Less: attributable to non-controlling interest	-	(26,161,392)	-	-	(26,161,392)
Increase (decrease) in net assets	\$ 7,305,906	\$ 10,530,248	\$ (278,009)	\$ (14,047,298)	\$ 3,510,847

see accompanying notes

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Controlling</u>	<u>Non-controlling</u>	<u>Total</u>
UNRESTRICTED NET ASSETS			
Balance at January 1, 2017	\$ 41,307,364	\$ 85,240,629	\$ 126,547,993
Transfer of limited partner interests	(4,780,367)	4,780,367	-
Contributions	-	35,859,817	35,859,817
Distributions	-	(406,317)	(406,317)
Increase (decrease) in net assets	<u>3,510,847</u>	<u>(26,161,392)</u>	<u>(22,650,545)</u>
Balance at December 31, 2017	<u><u>\$ 40,037,844</u></u>	<u><u>\$ 99,313,104</u></u>	<u><u>\$ 139,350,948</u></u>
TEMPORARILY RESTRICTED NET ASSETS			
Balance at January 1, 2017	\$ 49,840,497	\$ -	\$ 49,840,497
Grant income - Pledge Agreement grant	363,200	-	363,200
Grant income - Hope Through Housing	385,461	-	385,461
Release of temporarily restricted net assets	<u>(1,026,670)</u>	<u>-</u>	<u>(1,026,670)</u>
Balance at December 31, 2017	<u><u>\$ 49,562,488</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 49,562,488</u></u>

see accompanying notes

**NATIONAL COMMUNITY RENAISSANCE DEVELOPMENT
CORPORATION AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (22,650,545)
Decrease in temporarily restricted net assets	(278,009)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Bad debts	384,256
Interest expense - debt issuance costs	496,917
Depreciation and amortization	25,968,135
(Increase) decrease in assets:	
Security deposits	(153,631)
Accounts receivable	(4,017,720)
Prepaid expenses	(1,189,365)
Advance due from affiliate	1,588,965
Project development costs receivable	1,318,786
Developer fee receivable	265,553
Investments	(6,149)
Increase (decrease) in liabilities:	
Accounts payable	3,602,926
Accrued expenses	159,222
Security deposits payable	162,087
Deferred revenue	53,152
Accrued interest	4,865,758
Due to affiliates	104,469
Developer fee payable	(78,822)
Net cash provided by operating activities	<u>10,595,985</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net deposits to restricted cash	(7,549,139)
Purchase of limited partner interests	(1,500,000)
Proceeds from sales of fixed assets	3,673,388
Purchases of property, equipment and improvements	(39,015,823)
Construction in progress	(38,205,324)
Payment of construction costs in costs payable	(1,882,871)
Net cash used in investing activities	<u>(84,479,769)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments of mortgages and notes payable	(52,897,121)
Proceeds from mortgages and notes payable	96,201,181
Payment of debt issuance costs	(1,520,072)
Capital contributions - noncontrolling interests	35,859,817
Capital distributions - noncontrolling interests	(406,317)
Net cash provided by financing activities	<u>77,237,488</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,353,704
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>18,227,736</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 21,581,440</u>
SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION:	
Cash paid for interest - expensed	\$ 12,266,019
Cash paid for interest - capitalized	<u>\$ 1,246,902</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:	
Disposal of fully depreciated property, equipment and improvement:	\$ 450,742
Increase in accounts payable - construction included in purchases of fixed assets	<u>\$ 5,385,484</u>

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. Organization and nature of operations

National Community Renaissance of California (“NCRC”) (formerly known as Southern California Housing Development Corporation) is a non-profit organization dedicated to improving the quality of life for low-income families by stabilizing and revitalizing neighborhoods via development, renovation, and preservation of affordable housing developments. NCRC's principal sources of revenue are rental income from tenants, grants, property management fees and consulting and developer fees.

NCRC, its wholly-owned subsidiaries and affiliated entities receive significant funding from federal, state and local government subsidies in various forms, including low-income housing tax credits, low-interest rate loans, grants, and rent subsidies for qualifying very-low, low- and moderate-income tenants.

NCRC has an economic relationship with National Community Renaissance Development Corporation (“NCRDC”), a non-profit organization, which has an overlapping board of directors and shares employees and facilities. NCRC has provided voluntary operating advances to NCRDC. As of December 31, 2017, the balance of advances due from NCRDC is \$3,837,442, which is included in advances due from affiliates on the accompanying consolidated statement of financial position (see Note 12). NCRC, NCRDC and their consolidated subsidiaries and affiliates are collectively known as National Community Renaissance, or National CORE.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of NCRC and of corporations and partnerships in which NCRC is the sole member, and investments in limited partnerships or limited liability companies in which NCRC has a controlling interest. Additionally, the consolidated financial statements include the accounts of limited partnerships in which NCRC owns a minority financial interest, but has a controlling interest. NCRC is the general partner in these entities and has determined that the presumption of control for the limited partnerships has not been overcome, and therefore, the limited partnerships have been consolidated. All significant intercompany balances and transactions have been eliminated in consolidation. When NCRC is a primary beneficiary of a variable interest entity (“VIE”) NCRC consolidates that VIE for financial reporting purposes.

Included in the consolidation are not-for-profit supporting entities (included in National Community Renaissance of California in the accompanying consolidated financial statements):

Hope Through Housing Foundation, a separate 501(c)(3) entity, shares the same board of directors as NCRC, and is economically dependent on NCRC.

Southern California Housing Development Corporation of Rancho Cucamonga owns 100% of the following affordable housing projects:

- Monterey Village Apartments
- Mountainside Apartments
- Northgate Village Apartments
- Sycamore Springs Apartments

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. Organization and nature of operations (continued)

Projects and subsidiaries which are owned 100% by NCRC, either directly or through wholly-owned subsidiaries, as of December 31, 2017 are as follows:

- ANF Family Partners, LP
- Avenida Serra Housing Partners GP, LLC
- Core Hermosa Village I MGP, LLC
- Core Rialto Metro South MGP, LLC
- Corona Del Rey Housing GP, LLC
- Hope Through Access, Inc.
- Mission Cove Family I MGP, LLC
- Oakcrest Heights MGP, LLC
- Rancho Verde Village GP, LLC
- River Canyon GP, LLC
- RV Housing Partners GP, LLC
- San Antonio Gateway Housing Corporation
- South Pace GP, LLC
- Val 9 MGP, LLC
- West Mission Partners, LLC
- Executive Lodge Apartments, LP

Affordable housing projects:

- Arbor Villas Apartments, LLC
- Corona del Rey Apartments
- Cathedral Palms Apartments
- Clark Manor Apartments
- Hawthorne Terrace Apartments
- Rancho Verde Village Apartments
- Renaissance Village Apartments
- Vista Terraza II Apartments
- Bolt Housing Partners, LP *
- Rialto Housing Partners, LP *
- Riverside Housing Partners, LP *

Under development:

- Day Creek Senior Housing Partners, LP
- Dream Homes Housing Partners, LP
- NCRC Encanto, LP
- Paseo del Oro Apartments, LP
- Richmar Station
- Signature at Valley Center (Impressions II)
- SVSM Apartments, LP
- Virginia-Holt Housing, LP
- Waterman Gardens Partners 2, LP

* wholly-owned as of year-end; previously an affiliate (see Note 18).

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. Organization and nature of operations (continued)

The for-profit housing affiliates (“Housing Affiliates”) are comprised of the following limited partnerships and limited liability companies, and respective NCRC-owned nonprofit entities who have general partner and managing member interests:

For-profit housing affiliate	Nonprofit general partner	%
ANF Family Ptrs II, LP	South PACE GP, LLC	0.010%
Autumn Ridge Apartments, LP	SCHDC of Orange	0.010%
Avenida Serra Housing Partners, LP	Avenida Serra Hsg Ptrs GP, LLC	0.010%
Bell Gardens Housing Partners, LP	SCHDC of Los Angeles	0.010%
Bell Housing Partners, LP	SCHDC of Los Angeles	0.010%
Cathedral Family Housing Ptrs, LP	SCHDC of Inland Empire	0.010%
CG Affordable Housing Partners, LLC	NCRC	85.000%
Citrus Grove Housing Partners, LP	SCHDC of Inland Empire	0.010%
Copper Hills Apartments, LP	SCHDC of Orange	0.010%
Corona de Oro Apartments, LP	SCHDC of Orange	0.010%
Courson Senior Housing Partners, LP	SCHDC of Los Angeles	0.010%
Desert Meadows Housing Partners, LP	SCHDC of Inland Empire	0.010%
Downey Housing Partners, LP	SCHDC of Los Angeles	0.010%
Eagle Rock Housing Partners, LP	SCHDC of Los Angeles	0.010%
East Rancho Verde Housing Partners, LP	SCHDC of Inland Empire	0.010%
EMI Partners, LP	SCHDC of Inland Empire	0.010%
Escondido Housing Partners, LP	SCHDC of Orange	0.010%
Escondido Senior Housing Ptrs, LP	SCHDC of Orange	0.010%
Executive Lodge Apartments, LP	SCHDC of Orange	0.100%
Fontana Housing Partners, LP	SCHDC of Orange	0.012%
Fontana II Housing Partners, LP	SCHDC of Orange	0.005%
Fontana III Housing Partners, LP	SCHDC of Orange	0.005%
Fontana IV Housing Partners, LP	SCHDC of Orange	0.005%
Inland Valley Housing Partners, LP	SCHDC of Inland Empire	0.010%
Ken-Tal Senior Housing Partners, LP	SCHDC of Orange	0.005%
Malvern Housing Partners, LP	SCHDC of Riverside	0.010%
Mar Vista Union Housing Partners, LP	SCHDC of Los Angeles	0.010%
Mills Family Housing Partners, LP	SCHDC of Inland Empire	0.010%
Mission Cove Family I Housing, LP	Mission Cove Family I MGP, LLC	0.010%
Mission Cove Family II Housing, LP	SCHDC of Orange	0.010%
Mission Village Senior Apts, LP	SCHDC of Inland Empire	0.005%
Montclair Family Housing Partners, LP	SCHDC of Inland Empire	0.010%
Montclair Senior Housing Partners, LP	San Antonio Gateway Hsg Corp	0.010%
Normandie Senior Housing Ptrs, LP	Normandie Sr Hsg Ptrs GP, LLC	0.008%
Normandie Senior Hsg Ptrs GP, LLC	SCHDC of Los Angeles	79.000%

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. Organization and nature of operations (continued)

For-profit housing affiliate	Nonprofit general partner	%
Oceanside Housing Partners, LP	SCHDC of Orange	0.010%
Oceanside Senior Housing, LP	SCHDC of Orange	0.010%
Palmdale Senior Housing Partners, LP	SCHDC of Los Angeles	0.010%
Promenade Housing Partners, LP	The Promenade Hsg Ptrs GP, LLC	0.010%
Rancho Workforce Housing, LP	SCHDC of Inland Empire	0.005%
Renaissance Village, LP	RV Housing Partners GP, LLC	0.010%
Rialto Housing Partners, LP	SCHDC of Inland Empire	0.010%
Richmar Housing Partners, LP	SCHDC of Orange	0.010%
Riverside Housing Partners, LP	SCHDC of Inland Empire	0.010%
San Marcos Housing Partners, LP	SCHDC of Orange	0.010%
Santa Fe Springs Housing Partners, LP	SCHDC of Los Angeles	0.010%
Santee Apartments, LP	SCHDC of Orange	0.010%
Savi Ranch Housing Partners, LP	SCHDC of Orange	0.010%
Savi Ranch II Housing Partners, LP	SCHDC of Orange	0.010%
Spring Valley Housing, LP	SCHDC of Orange	0.010%
UC Housing Partners, LP	SCHDC of Orange	0.010%
Val 9 Housing Partners, LP	Val 9 MGP, LLC	0.010%
Victorville Housing Partners, LP	SCHDC of Inland Empire	0.010%
Villa Serena Apartments, LP	SCHDC of Orange	0.010%
Vista del Sol Apartments, LP	Vista Del Sol GP, LLC	0.008%
Vista del Puente, LP	NCRC VDP, LLC	0.002%
Vista Dunes Housing Partners, LP	Vista Dunes GP, LLC	0.008%
Vista Dunes GP, LLC	SCHDC of Inland Empire	75.000%
Vista Terraza Housing, LP	SCHDC of Orange	0.010%
Waterman Gardens Partner I, LP	WG Partners 1 MGP, LLC	0.010%
Westlake Housing Partners, LP	SCHDC of Orange	0.010%
Woods Family Housing Partners, LP	Woods Family Hsg Ptrs GP, LLC	0.008%
Woods Family GP, LLC	SCHDC of Los Angeles	79.000%
Yorba Linda Housing Partners, LP	SCHDC of Orange	0.010%
Yucca Valley Senior Housing Ptrs, LP	SCHDC of Inland Empire	0.010%

2. Summary of significant accounting policies

Basis of accounting

NCRC prepares its consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America and reflects the accounts and operations of NCRC and those of its subsidiaries in which NCRC has a controlling financial interest. All intercompany transactions and balances have been eliminated upon consolidation.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. Summary of significant accounting policies (continued)

Non-controlling interests

Non-controlling interests represent the portion of net assets associated with consolidated entities that are not owned by the consolidating entity. NCRC has determined for its consolidated subsidiaries that the ownership percentages associated with each member interest does correspond to the economic substance of the transaction and, therefore, net income and losses are allocated to the non-controlling interests based on their ownership interest.

Basis of presentation

NCRC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets consist of general operating support.

Temporarily Restricted Net Assets: Net assets that are subject to donor-imposed stipulations that may or will be met either by the organization's actions and/or the passage of time.

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

Recently issued accounting pronouncements

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The major changes revolve around net asset classifications. ASU 2016-14 eliminates the distinction between resources with permanent restrictions and those with temporary restrictions by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes: net assets with donor restrictions and net assets without donor restrictions.

In addition to the fundamental change in net asset classifications, the new standard also includes a number of specific amendments, such as the following:

- Reporting requirements of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and disclosures about underwater endowments;
- Disclosure requirements of qualitative information on how the organization manages its liquid available resources and liquidity risks;
- Reporting requirements of the investment return, net of external and direct internal investment expenses (disclosure of those netted expenses is no longer required).

ASU 2016-14 applies to all non-profit organizations and is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted.

NCRC is currently evaluating the impact the adoption of this standard will have on the consolidated financial statements.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. Summary of significant accounting policies (continued)

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Economic concentrations

NCRC's subsidiaries operate properties primarily in southern California. Future operations could be affected by changes in the economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing. In addition, these projects operate in a heavily regulated environment. The operations of these projects are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to U.S. Department of Housing and Urban Development ("HUD"). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for funding of operating deficits, repairs or improvements to the buildings that extend their useful lives, annual payments of tax and insurance, debt service payments, and refunds of tenant security deposits. Restricted cash does not fall under the criteria for temporarily or permanently restricted net assets as these funds are held for operational purposes rather than donor imposed restrictions.

Concentration of credit risk

NCRC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. NCRC has not experienced any losses in such accounts. NCRC believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable and bad debts

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of December 31, 2017, the balance of the allowance for doubtful accounts was \$168,655 and bad debt expense for the year ended December 31, 2017 was \$384,256.

Advances due from affiliates

The advances due from affiliates are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on expected future operating performance and other factors. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2017, the allowance for doubtful accounts was \$1,400,000, which is eliminated upon consolidation.

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2. Summary of significant accounting policies (continued)

Investments

NCRC records its investments on the cost basis of accounting, as determined by their ownership percentage and control. These investments are not consolidated since NCRC does not have the power to direct the activities that most significantly impact the investments' economic performance and NCRC does not have the obligation to absorb losses or the right to receive benefits that could potentially be significant to the investments. Such investments include cooperative investment Housing Partnership Network Group Insurance Initiative (see Note 4), and the following:

For-profit housing investment	Non-controlling general partner	%
HB Housing Partners, LP	SCHDC of Inland Empire	0.005%
Anaheim Revitalization Partners II, LP	SCHDC of Los Angeles	0.001%
Anaheim Revitalization Partners III, LP	SCHDC of Los Angeles	0.005%
Anaheim Revitalization Partners IV, LP	SCHDC of Los Angeles	0.005%
Hermosa Village Phase I Hsg Ptrs, LP	CORE Hermosa Village 1 MGP, LLC	0.004%

Project development costs

NCRC incurs costs in connection with properties it is considering for development as well as costs associated with projects in the initial stages of development. These costs include such items as market studies, purchase options, environmental study costs, legal and accounting costs. Project development costs are capitalized to construction in progress. Project development costs related to projects that are ultimately developed are subsequently recorded as receivables to be repaid by the applicable project partnerships. If a project is no longer considered desirable or feasible, the costs are expensed. During the year ended December 31, 2017, \$87,068 of project development costs were expensed and are included in other expense on the accompanying consolidated statement of activities.

Fixed assets and depreciation

Purchases of property, equipment or improvements costing more than \$2,500 are recorded at cost. Major improvements are charged to the fixed asset account, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. When fixed assets are retired or otherwise disposed, the cost of the fixed asset and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. Depreciation expense during 2017 was \$25,733,219.

Impairment of long-lived assets

NCRC reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. There were no impairment losses recognized during 2017.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
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2. Summary of significant accounting policies (continued)

Deferred costs

Tax credit fees are amortized on a straight-line basis over the 15-year tax credit compliance period. Amortization expense for the year ended December 31, 2017 was \$170,039.

Costs related to obtaining leasehold interests are capitalized and amortized on the straight-line method over the life of the related ground lease.

The deferred costs consist of the following:

	Tax Credit Monitoring fees	Leasehold interest	Total
Deferred costs	\$ 2,772,108	\$ 2,212,203	\$ 4,984,311
Accumulated amortization	(1,350,131)	(510,316)	(1,860,447)
Deferred costs, net	<u>\$ 1,421,977</u>	<u>\$ 1,701,887</u>	<u>\$ 3,123,864</u>

Derivative instruments

NCRC has entered into an interest rate swap agreement, which is carried on the statement of financial position at fair value. Changes in fair value are estimated and recorded in the statement of activities. The fair value of the interest rate swap has been calculated utilizing a third-party methodology that management believes is commonly employed. See Note 7.

Fair value measurement

NCRC applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the organization's own assumptions.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of significant accounting policies (continued)

Fair value measurement (continued)

The carrying amount of NCRC's cash and cash equivalents, receivables, payables and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of NCRC's long-term notes receivable, and mortgages and notes payable is assessed by management based on analysis of underlying investments and historical trends. Impairment reserves are provided as necessary. It is impractical to estimate the fair value of the NCRC's financial guarantees because there are no quoted market prices for transactions that are similar in nature. NCRC measures the fair value of its interest rate swap on a recurring basis in the financial statements. See Note 7.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction from the face amount of the mortgage loan payable to which costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Revenue recognition

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other income includes fees for late payments, cleaning, damages, laundry facilities and other charges and is recorded when earned. Advance receipts of revenue are deferred and classified as liabilities until earned.

Subsidy payments from HUD under Section 8 of the National Housing Act account for a portion of the rental income. See Note 11.

NCRC earns contractor fees based on services provided in the development of projects of affiliated limited partnerships and wholly owned properties. Such fees are capitalized into fixed assets on the limited partnerships' financial statements.

Developer fees are earned in connection with the construction and oversight of the development of properties. The developer fees are recognized as revenue commencing with the closing of a project's construction loan (the "Closing") based on the percentage of completion method, taking into account the total anticipated development costs and potential operating deficit obligation through the period from the Closing through the end of the operating deficit obligation period (typically three years from the achievement of Breakeven Operations, as defined in partnership agreements). Generally, NCRC utilizes the following formula to determine the amount of the developer fee earned as of a specific date: The developer fee multiplied by the fraction having as its denominator (i) the total development costs plus (ii) the total operating deficit obligation for the obligation period and as its numerator (i) the total development costs incurred to the specific date of calculation plus (ii) the total operating deficits funded as of the specific date of calculation. Upon construction completion, the remaining developer fee is recorded as an asset with a corresponding offset to deferred revenue if the amount of developer fee owed exceeds the amount of developer fee earned to such date in accordance with the preceding formula. In the event that a portion or all of the developer fee is not paid at the end of the development period, the deferred developer fee is generally assumed to be paid from the future cash flow of the property and thereby recognized when paid. Developer fees that are earned during construction and paid for with investor equity or project debt are capitalized. The deferred developer fees expected to be paid from property operations are generally eliminated upon consolidation.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
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2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Laundry and cable income, and prepaid rent received in advance are deferred until earned.

Property management fee income is earned monthly based on the applicable management agreements.

Private donations

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Private donations included in-kind contributions, which generally consist of donated food, new toys, and services such as nursing student hours, and are recorded at estimated fair value at the time the goods and services are received.

Grant revenue

Grants received from governments, agencies and others are recognized when all significant conditions are met, all due diligence has been completed and they are approved by staff or board committee. Funds received but not yet spent are recorded as temporarily restricted net assets. Funds for qualifying costs incurred and recognized as revenue but not yet received are recorded as accounts receivable. See Note 17.

Income taxes

NCRC, including Hope Through Housing Foundation, is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d).

Income taxes on partnership and LLC income are levied on the partners and members in their individual capacity. Accordingly, all profits and losses of the consolidated entities are recognized by each partner and member on its respective tax return.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the entity to report information regarding its exposure to various tax positions taken by the entity. NCRC has determined whether any tax positions have met the recognition threshold and has measured NCRC's exposure to those tax positions. Management believes that NCRC has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to NCRC are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of significant accounting policies (continued)

Advertising

Marketing and advertising costs are expensed as incurred.

Organization

Organization costs are expensed as incurred.

Functional allocation of expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by the organization's management.

3. Restricted cash

The regulatory and loan agreements of the subsidiaries and affiliates of NCRC generally require monthly impound deposits for insurance premiums, property taxes, replacements and operating expenses. The restricted accounts are held by the various lender agencies and expenditures are subject to their supervision and approval.

Restricted cash includes amounts held in escrow in connection with purchase and sales agreements. See Note 18.

4. Investments

On March 30, 2004, NCRC invested in the Housing Partnership Network Group Insurance Initiative, a cooperative of other real estate investment companies, whose purpose is to offer low-cost insurance and worker's compensation to companies with a history of low-loss ratios. In 2004, NCRC purchased one share of Class A stock for \$10,000, and 277 shares of Class B stock at \$1,000 per share. In 2013, NCRC purchased 275 Class C shares at \$555 per share. NCRC is entitled to dividend payments in proportion to their investment once they are declared. Dividends in the amount of \$152,106 were received during the year ended December 31, 2017, and are included in the other income on the accompanying consolidated statement of activities. The investment is accounted for under the cost method of accounting since NCRC's ownership is less than 20%. As of December 31, 2017, the investment balance was \$697,815.

NCRC consolidates its ownership interest in limited partnerships which it controls (see Note 1).

Investments includes \$1,500,000 paid to acquire the limited partner interests in five Housing Affiliates. See Note 18.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
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5. Property, equipment and improvements, net

Property, equipment and improvements consist of the following as of December 31, 2017:

Land	\$ 107,933,567
Buildings and improvements	875,512,043
Furniture, fixtures and equipment	36,277,808
Construction in progress	<u>56,863,606</u>
Subtotal	1,076,587,024
Less: accumulated depreciation	<u>(252,285,788)</u>
Total property, equipment and improvements, net	<u>\$ 824,301,236</u>

6. Mortgages and notes payable, net

Mortgages and notes payable are as follows as of December 31, 2017:

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
Greystone Servicing	NCRC / Arbor Villas Apartments	4.13%	\$ 27,487	11/2049	\$ 5,844,268
Compass Bank (formerly Guaranty Bank)	NCRC / Cathedral Palms	6.50%	5,057	01/2027	415,425
County of Riverside	NCRC / Cathedral Palms	3.00%	948	12/2031	88,943
City of Cathedral	NCRC / Cathedral Palms	0.00%	(7)	(f)	1,000,000
Redevelopment Agency of City of Cathedral City	NCRC / Cimmaron Heights Apts	0.00%	(3)	(d)	100,000
JPMorgan Chase Bank	NCRC / Clark Manor	4.93%	7,833	08/2033	1,023,956
City of Long Beach	NCRC / Clark Manor	4.00%	(1)	06/2058	550,000
JPMorgan Chase Bank	NCRC / Corona del Rey	Variable	21,524	08/2020	2,596,613
County of Riverside	NCRC / Corona del Rey	3.00%	1,304	07/2028	141,774
City of Corona RDA	NCRC / Corona del Rey	0.00%	(1)	05/2051	643,340
JPMorgan Chase Bank	NCRC / Hawthorne Terrace	5.55%	11,142	10/2029	2,071,000
City of Hawthorne	NCRC / Hawthorne Terrace	Variable	(1)	10/2059	250,000
City of Hawthorne	NCRC / Hawthorne Terrace	3.00%	(1)	10/2059	1,998,855
City of Hawthorne HOME Funds	NCRC / Hawthorne Terrace	0.00%	(1)	07/2020	207,645
California Housing Finance Agency	SCHD / Mountainside Apartments	7.25%	44,171	09/2026	3,450,056
California Housing Finance Agency	SCHD / Monterey Village	7.25%	34,791	10/2026	2,717,418
CalHFA	SCHD / Northgate Village	6.00%	33,444	10/2034	4,246,422
Victorville RDA	SCHD / Northgate Village	3.00%	(1)	12/2035	3,614,812
JPMorgan Chase Bank	NCRC / Rancho Verde	2.75%	21,696	04/2025	1,727,286
JPMorgan Chase Bank	NCRC / Rancho Verde	5.16%	11,206	04/2025	1,990,087
Dept of Housing and Urban Development	NCRC / San Antonio Gateway	0.00%	(3)	03/2066	10,604,000
City of Victorville RDA	NCRC / Signature at Valley Ctr	3.00%	(1)	12/2061	1,394,841
CalHFA	SCHD / Sycamore Springs Apts	7.25%	30,186	09/2026	2,357,761
Commerce West Bank	NCRC / West Mission Partners, LLC	6.87%	3,327	09/2020	323,420

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Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
San Marcos RDA	NCRC / West Mission Partners, LLC	3.00%	(1)	05/2031	\$ 1,320,000
Bank of America Predevelopment Loan	NCRC / Encanto Village TOD	5.00%	2,083	06/2018	500,000
San Diego Housing Commission Loan	NCRC / Vista del Puente	3.00%	(12)	12/2073	2,050,000
Compass Bank Construction Loan	NCRC / Vista del Puente	4.11%	(12)	07/2019	2,258,608
Townpeople Home Depot Loan	NCRC / Vista del Puente	0.00%	(12)	(d)	240,000
Chase San Marcos RDA	NCRC / Villa Serena	0.00%	(3)	(a)	397,685
NCRC	NCRC / Hope Through Access	0.00%	(1)	(e)	2,000,000
Citibank AHP	NCRC	0.00%	(3)	09/2071	680,000
WNC Development Ptrs	NCRC	8.00%	(4), **	02/2018	2,500,000
JPMorgan AHP Loan	NCRC	0.00%	(4)	05/2067	500,000
Citibank, CA ASP Sponsor Loan	NCRC	0.00%	(4)	04/2069	480,000
Century Housing	NCRC	Variable	(4), **	04/2018	2,309,078
Hudson HT	NCRC	5.00%	(4)	04/2025	1,000,000
Wells Fargo Bank	NCRC	3.58%	(4)	09/2022	2,308,285
US Bank	NCRC	5.19%	(4), **	06/2019	3,000,000
Wells Fargo Bank	NCRC	3.75%	(4), **	11/2019	1,400,000
Wells Fargo Bank	NCRC	2.00%	(4)	11/2023	1,000,000
Wells Fargo Bank	NCRC	2.00%	(4)	11/2023	343,750
Wells Fargo Bank	NCRC	2.00%	(4)	11/2023	156,250
Federal Home Loan Mortg Corp - Freddie Mac	ANF Family Partners II, LP	3.01%	18,859	01/2044	4,780,000
City of Fairfield	ANF Family Partners II, LP	0.00%	(1)	01/2067	9,357,694
Fairfield HOME Funds	ANF Family Partners II, LP	3.00%	(1)	08/2066	1,688,005
Cal HFA - MHSA	ANF Family Partners II, LP	0.00%	(1)	12/2065	1,200,000
NCRC	ANF Family Partners II, LP	0.00%	(1)	12/2065	959,684
Union Bank of California	Autumn Ridge Apartments L.P.	7.65%	63,732	08/2035	7,764,975
Redevelopment Agency of the City of San Marcos	Autumn Ridge Apartments L.P.	3.00%	(1)	01/2035	2,994,503
Redevelopment Agency of the City of San Marcos	Autumn Ridge Apartments L.P.	3.00%	(1)	01/2035	1,200,000
Redevelopment Agency of the City of San Marcos	Autumn Ridge Apartments L.P.	3.00%	(1)	01/2035	440,000
County of San Diego California Statewide Communities	Autumn Ridge Apartments L.P.	3.00%	(1)	01/2055	800,000
Citibank N.A. - Perm Loan	Avenida Serra Hsg Partners LP	5.48%	2,314	09/2044	425,245
Citibank N.A. - Subordinate Loan	Avenida Serra Hsg Partners LP	1.00%	(1)	10/2070	190,000
City of San Clemente	Avenida Serra Hsg Partners LP	3.36%	(1)	12/31/2070	3,430,771
NCRC	Avenida Serra Hsg Partners LP	0.00%	(1)	03/01/2069	730,800
CCRC	Bell Gardens Hsg Partners LP	5.52%	13,186	07/2038	1,943,837
Housing Authority Co.of L.A.	Bell Gardens Hsg Partners LP	3.00%	(1)	03/2063	1,500,000
City of Bell CDC	Bell Gardens Hsg Partners LP	3.00%	(1)	04/2060	3,812,203
City of L.A. HOME Funds	Bell Gardens Hsg Partners LP	3.00%	(1)	03/2063	2,785,367

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Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
Note Payable - AHP	Bell Gardens Hsg Partners LP	0.00%	(3)	03/2064	\$ 284,000
JPMorgan Chase Bank	Bell Housing Ptrs, LP	6.25%	8,441	01/2034	1,026,008
HACOLA	Bell Housing Ptrs, LP	3.00%	(1)	03/2033	1,000,000
CDC County of LA (HOME funds)	Bell Housing Ptrs, LP	3.00%	(1)	03/2033	1,886,091
JPMorgan Chase Bank - AHP	Bell Housing Ptrs, LP	0.00%	(3)	01/2034	240,000
JPMorgan Chase Bank	Bolt Housing Partners L.P.	3.31%	variable	11/2026	643,932
San Diego Housing Commission	Bolt Housing Partners L.P.	3.00%	(1)	11/2056	1,418,838
CA Community Reinvestment Corp	Cathedral Family Hsg Ptrs, LP	7.25%	4,093	03/2028	560,078
NCRC	Cathedral Family Hsg Ptrs, LP	0.00%	(1)	01/2065	638,471
City of Cathedral City - RDA	Cathedral Family Hsg Ptrs, LP	2.00%	(1)	04/2066	4,006,162
County of Riverside - HOME Funds	Cathedral Family Hsg Ptrs, LP	1.00%	(1)	07/2067	1,250,000
Federal Home Loan Bank - AHP	Cathedral Family Hsg Ptrs, LP	0.00%	(1)	04/2067	590,000
CCRC (Wells Fargo bond trustee)	Citrus Grove Hsg Ptrs	6.25%	5,110	06/2041	754,459
Rialto Housing Authority	Citrus Grove Hsg Ptrs	0.00%	(1)	05/2065	333,037
Rialto Housing Authority	Citrus Grove Hsg Ptrs	0.00%	(1)	05/2065	6,800,703
Rialto Housing Authority	Citrus Grove Hsg Ptrs	0.00%	(1)	05/2065	1,492,973
Berkadia Commercial Mort.	Corona de Oro Apts. LP	7.25%	8,784	07/2032	947,202
City of Corona RDA	Corona de Oro Apts. LP	3.00%	(1)	03/2055	4,725,000
City of Corona HOME Funds	Corona de Oro Apts. LP	1.00%	(6)	09/2055	149,900
Citibank - AHP	Corona de Oro Apts. LP	0.00%	(3)	06/2032	181,873
Reinvestment Corporation (CCRC)	Courson Senior Partners, L.P.	6.25%	6,773	04/2039	959,981
City of Palmdale RDA	Courson Senior Partners, L.P.	3.00%	(1)	12/2060	2,850,000
FHLB-AHP California Community	Courson Senior Partners, L.P.	0.00%	(3)	01/2039	350,000
State of California HCD	Courson Senior Partners, L.P.	3.00%	(1)	06/2062	2,341,584
Riverside County RDA	Desert Meadows Hsg Partners, LP	0.25%	(1)	08/2066	7,698,385
Union Bank of California - AHP	Desert Meadows Hsg Partners, LP	0.00%	(3)	01/2067	790,000
DHCD MHP	Desert Meadows Hsg Partners, LP	3.00%	(1)	04/2069	5,954,244
JP Morgan Chase	Downey Housing Partners, L.P.	5.88%	13,201	09/2045	2,146,254
City of Downey	Downey Housing Partners, L.P.	3.00%	(1)	02/2068	4,550,000
Housing Authority of Los Angeles County	Downey Housing Partners, L.P.	3.00%	(1)	02/2070	2,386,720
City of Downey	Downey Housing Partners, L.P.	3.00%	(1)	02/2068	450,000
US Bank(EastWest Bank)	Eagle Rock Hsg Partners, LP	8.00%	4,243	06/2039	517,148
City of Los Angeles (HOME)	Eagle Rock Hsg Partners, LP	4.45%	(1)	12/2063	2,325,360
State of Calif. - DHCD	Eagle Rock Hsg Partners, LP	3.00%	(2)	06/2066	1,725,614
NHDC, Tres Lomas	Eagle Rock Hsg Partners, LP	4.45%	(1)	12/2063	692,428
JPMorgan Chase Bank	East Rancho Verde Housing Partners LP	5.13%	8,717	10/2040	1,405,434
City of Rancho Cucamonga Redev Agency	East Rancho Verde Housing Partners LP	1.50%	(1)	06/2060	6,500,000
The County of San Bernardino, Dept of Comm Dev and Hsg	East Rancho Verde Housing Partners LP	3.00%	(1)	03/2063	1,100,000

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Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
Wells Fargo Bank	EMI Housing Partners, LP	0.00%	(1)	10/2055	\$ 2,869,900
City of Montclair	EMI Housing Partners, LP	4.00%	(1)	04/2069	682,119
AHP Funds	EMI Housing Partners, LP	0.00%	(1)	03/2044	158,357
CDC of the City of West Covina	Promenade Housing Ptrs, LP	2.82%	(1)	04/2072	6,056,621
Bank of the West	Promenade Housing Ptrs, LP	variable	20,337	05/2054	5,801,611
Executive Lodge LP Seller Carryback	Promenade Housing Ptrs, LP	5.00%	(1)	12/2072	1,356,422
JP Morgan Chase	Escondido Hsg Partners, LP	3.17%	Variable	08/2037	895,000
City of Escondido	Escondido Hsg Partners, LP	3.0%	(1)	10/2055	2,090,635
Dept. of Housing & Comm Dev	Escondido Hsg Partners, LP	3.0%	(1)	04/2058	1,345,219
CCRC	Escondido Senior Hsg Ptrs, L.P	7.37%	12,460	11/2041	1,683,010
SCHDC of Orange (AHP - JPMorgan)	Escondido Senior Hsg Ptrs, L.P	0.00%	(1)	04/2067	500,000
City of Escondido	Escondido Senior Hsg Ptrs, L.P	5.32%	(1)	12/2075	3,051,230
City of Escondido	Escondido Senior Hsg Ptrs, L.P	3.00%	(1)	12/2075	1,948,770
City of Escondido	Escondido Senior Hsg Ptrs, L.P	3.00%	(1)	05/2065	500,000
NCRC	Escondido Senior Hsg Ptrs, L.P	0.00%	(1)	02/2065	650,959
NCRC	Escondido Senior Hsg Ptrs, L.P	0.00%	(1)	02/2065	400,000
CCRC	Fontana Hsg Ptrs, L.P.	7.30%	10,283	09/2033	1,153,190
City of Fontana	Fontana Hsg Ptrs, L.P.	3.00%	(1)	06/2059	1,002,187
Note Payable AHP	Fontana Hsg Ptrs, L.P.	0.00%	(3)	09/2033	500,000
California Community Reinvestment Corp	Fontana II Hsg Ptrs, L.P.	6.75%	8,821	12/2036	1,103,901
City of Fontana	Fontana II Hsg Ptrs, L.P.	1.00%	(3)	02/2059	2,500,000
NorthMarq Capital, LLC	Fontana III Hsg Ptrs, L.P.	5.79%	Variable	04/2036	1,537,000
City of Fontana	Fontana III Hsg Ptrs, L.P.	1.00%	(3)	06/2060	7,153,254
AHP/Bank of the West	Fontana III Hsg Ptrs, L.P.	0.00%	(3)	03/2061	350,000
California Community Reinvestment Corp	Fontana IV Hsg Ptrs, L.P.	6.50%	13,896	09/2045	2,140,811
Fontana Housing Authority	Fontana IV Hsg Ptrs, L.P.	3.00%	(7)	06/2065	6,834,539
U. S. Bank	Inland Valley Hsg Ptrs	5.97%	15,408	08/2038	2,291,905
City of Rialto Housing Authority	Inland Valley Hsg Ptrs	3.00%	(1)	08/2061	14,054,480
Cnty San Bernardino HOME funds	Inland Valley Hsg Ptrs	3.00%	(1)	06/2060	3,000,000
AHP - FHLB (Miss Valley Life Ins)	Inland Valley Hsg Ptrs	0.00%	(3)	02/2064	1,000,000
State of CA Dept of Hsg & Comm Dev	Inland Valley Hsg Ptrs	3.00%	(2)	07/2064	8,362,659
San Diego RDA	Ken Tal Senior Partners, L.P.	3.00%	(1)	10/2059	5,216,424
San Diego Housing Commission	Ken Tal Senior Partners, L.P.	5.00%	1,691	01/2037	249,878
Chase	Malvern Housing Partners L.P.	8.06%	2,780	10/2026	210,346
City of Rancho Cucamonga RDA	Malvern Housing Partners L.P.	1.00%	(1)	04/2058	3,804,595
County of San Bernardino	Malvern Housing Partners L.P.	3.00%	(1)	12/2022	400,000
City of Pasadena	Mar Vista Union Hsg Ptrs, L.P.	3.00%	(1)	04/2065	1,417,273
Federal Home Funds	Mar Vista Union Hsg Ptrs, L.P.	3.00%	(1)	07/2067	1,475,397
Inclusionary Housing Fund	Mar Vista Union Hsg Ptrs, L.P.	3.00%	(1)	07/2067	646,077
Agency IV - First 5 LA	Mar Vista Union Hsg Ptrs, L.P.	3.00%	(1)	06/2072	931,437
Note Payable - AHP	Mar Vista Union Hsg Ptrs, L.P.	0.00%	(3)	06/2070	300,000

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CDC - County of Los Angeles	Mar Vista Union Hsg Ptrs, L.P.	3.00%	(1)	03/2072	\$ 895,726
Calif Community Reinvestment Corp	Mills Family Housing L.P.	7.50%	5,943	09/2041	789,879
City of Montclair	Mills Family Housing L.P.	3.00%	(1)	08/2064	4,283,084
County of San Bernardino	Mills Family Housing L.P.	3.00%	(1)	07/2066	2,000,000
City of Oceanside	Mission Cove Family I	3.00%	(1)	(d)	4,407,778
CalHFA	Mission Cove Family I	0.00%	(1)	(d)	5,900,000
Wells Fargo Bank (AHP Loan)	Mission Cove Family I	3.00%	(1)	03/2071	943,470
Citibank, N.A. (Construction Loan)	Mission Cove Family I	0.00%	(3)	09/2073	890,000
Citibank, N.A.	Mission Cove Family I	variable	(1)	10/2018	22,984,325
US Bank	Mission Village Senior Hsg LP	5.89%	17,893	03/2040	2,673,892
AHP	Mission Village Senior Hsg LP	0.00%	(3)	03/2065	500,000
Redevelopment Agency of the County of Riverside	Mission Village Senior Hsg LP	3.00%	(1)	09/2064	10,472,118
US Bank	Montclair Family Hsg Ptrs, LP	7.73%	9,802	11/2037	1,202,346
City of Montclair RDA	Montclair Family Hsg Ptrs, LP	3.0%	(1)	05/2061	1,943,765
County of San Bernardino (HOME)	Montclair Family Hsg Ptrs, LP	5.0%	(1)	05/2061	1,500,000
San Antonio Gateway Housing Corp	Montclair Senior Housing Partners, L.P.	0.00%	(3)	03/2066	10,604,000
City of Montclair Redevelopment Agency	Montclair Senior Housing Partners, L.P.	3.00%	(1)	07/2063	1,528,280
CDC - County of Los Angeles	Normandie Senior Housing Partners, L.P.	6.75%	4,864	10/2040	703,613
CDC - County of LA Homeless & Housing Program Fund	Normandie Senior Housing Partners, L.P.	3.00%	(1)	06/2067	600,000
NCRC Infill Grant Loan	Normandie Senior Housing Partners, L.P.	0.00%	(1)	01/2065	1,033,418
County of Los Angeles - Home Funds	Normandie Senior Housing Partners, L.P.	0.00%	(1)	03/2065	5,501,007
County of Los Angeles - Industry Funds	Normandie Senior Housing Partners, L.P.	3.00%	(1)	03/2065	1,989,155
MuniMae TE Bond Subsidiary, LLC	Oceanside Housing Ptrs, LP	5.75%	23,980	05/2049	4,179,086
City of Oceanside	Oceanside Housing Ptrs, LP	3.00%	(1)	06/2061	6,244,000
State of California HCD	Oceanside Housing Ptrs, LP	0.42%	(1)	05/2064	4,151,008
JPMorgan Chase Bank	Oceanside Senior Hsg Ptrs, LP	5.08%	(4)	10/2038	763,412
City of Oceanside	Oceanside Senior Hsg Ptrs, LP	3.00%	(1)	07/2063	3,772,340
Berkadia Commerical Mortgage (Citi Bank)	Palmdale Senior Hsg Ptrs, L.P.	5.65%	14,476	12/2026	2,490,331
Community Redevelopment Agency of the City of Palmdale	Palmdale Senior Hsg Ptrs, L.P.	3.00%	(1)	06/2059	1,000,000
City of Palmdale HOME	Palmdale Senior Hsg Ptrs, L.P.	3.00%	(1)	06/2059	750,000
Fed Home Loan Bank Affordable Hsg Program	Palmdale Senior Hsg Ptrs, L.P.	0.00%	(6)	01/2066	600,000
California Community Reinvestment Corp.	Rancho Workforce Housing, L.P.	6.04%	51,996	10/2040	8,399,108
City of Rancho Cucamonga Redevelopment Agency	Rancho Workforce Housing, L.P.	2.39%	(1)	09/2063	25,868,857

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Greystone	Renaissance Village Housing Partners, L.P.	5.60%	25,972	07/2034	\$ 4,472,124
NCRC	Renaissance Village Housing Partners, L.P.	3.06%	(1)	03/2030	650,812
County of San Bernardino	Renaissance Village Housing Partners, L.P.	3.00%	2,978	05/2024	273,303
Seller Carryback	Renaissance Village Housing Partners, L.P.	3.06%	(1)	07/2069	9,198,872
NCRC	Renaissance Village Housing Partners, L.P.	3.06%	(1)	07/2069	400,000
Century Housing	Rialto Housing Partners, LP	5.50%	(4)	10/2019	2,255,000
Home-City	Rialto Housing Partners, LP	3.00%	(1)	01/2054	1,000,000
Home-County	Rialto Housing Partners, LP	0.00%	(1)	01/2016	250,000
Berkadia	Richmar Housing Partners LP	5.12%	5,764	09/2030	1,085,318
City of San Marcos	Richmar Housing Partners LP	3.00%	(1)	10/2071	3,397,973
Westlake Housing Partners, LP	Richmar Housing Partners LP	3.00%	(1)	12/2068	385,288
US Bank	Riverside Housing Ptrs, L.P	6.21%	9,779	07/2036	1,307,113
City of Riverside	Riverside Housing Ptrs, L.P	3.00%	(1)	07/2059	4,496,135
MHP	Riverside Housing Ptrs, L.P	3.00%	(2)	03/2061	2,930,000
Red Mortgage Capital	San Marcos Hsg Ptrs, LP	7.93%	30,613	01/2033	3,226,285
San Marcos Redevelopment	San Marcos Hsg Ptrs, LP	3.00%	(1)	12/2055	2,931,040
County of SD DHCD	San Marcos Hsg Ptrs, LP	5.98%	(1)	01/2056	850,000
US Bank	Santa Fe Springs Hsg Ptrs, LP	5.36%	24,598	04/2034	3,271,759
SFSCDC	Santa Fe Springs Hsg Ptrs, LP	3.00%	(1)	09/2057	1,754,619
LACDC	Santa Fe Springs Hsg Ptrs, LP	3.00%	(1)	03/2032	720,884
HACOLA	Santa Fe Springs Hsg Ptrs, LP	3.00%	(1)	03/2034	754,554
JPMorgan Chase Bank	Santee Apts L.P.	5.95%	12,278	05/2028	1,986,229
County of San Diego	Santee Apts L.P.	3.00%	(1)	12/2055	240,000
Department of Housing and Community Dev.	Santee Apts L.P.	3.00%	(1)	12/2058	3,270,535
Community Development Commission	Santee Apts L.P.	3.00%	(1)	03/2055	3,016,248
Citi Bank Construction	Savi Ranch II Hsg Ptrs, L.P.	Variable	(8)	07/2019	7,120,800
RDA - City of Yorba Linda	Savi Ranch II Hsg Ptrs, L.P.	3.00%	(1)	(d)	2,415,321
CalHFA Loan	Savi Ranch II Hsg Ptrs, L.P.	3.00%	(1)	06/2072	1,699,143
AHP - Pacific Western Bank	Savi Ranch II Hsg Ptrs, L.P.	0.00%	(3)	06/2072	530,000
Citi Ban Mortgage	Savi Ranch Housing Ptrs, LP	5.40%	17,241	07/2033	3,239,467
City of Yorba Linda	Savi Ranch Housing Ptrs, LP	3.00%	(1)	(d)	6,212,314
NCRC	Savi Ranch Housing Ptrs, LP	0.00%	(3)	09/2071	680,000
Citi Bank Loan - Subordinate Loan	Savi Ranch Housing Ptrs, LP	1.00%	(1)	04/2070	550,000
JPMorgan Chase Bank	Spring Valley Housing Partners, LP	5.90%	12,852	01/2033	1,522,121
Agency - County	Spring Valley Housing Partners, LP	3.00%	(1)	02/2057	1,825,000
CSCDA	UC Housing Partners, LP	5.60%	23,618	08/2037	3,374,213
Brookfield University Commons, LLC	UC Housing Partners, LP	2.00%	(3)	11/2059	1,463,164
Department of Housing and Community Development	UC Housing Partners, LP	3.00%	(2)	07/2062	6,382,879
PNC Bank	Val 9 Housing Partners. LP	3.47%	(1)	11/2046	10,526,361
City of San Bernardino	Val 9 Housing Partners. LP	3.00%	(1)	06/2071	1,000,000
Wells Fargo Bank	Val 9 Housing Partners. LP	3.00%	(1)	12/2071	750,000

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Housing Authority of San Bernardino	Val 9 Housing Partners, LP	3.00%	(1)	08/2070	\$ 810,000
County of San Bernardino	Val 9 Housing Partners, LP	3.00%	(1)	(d)	1,500,000
US Bank	Victorville Housing Ptrs, L.P.	6.66%	11,689	10/2021	1,414,902
County of San Bernardino	Victorville Housing Ptrs, L.P.	3.00%	(1)	09/2057	794,602
Victorville Redevelopment Agency	Victorville Housing Ptrs, L.P.	3.00%	(1)	09/2022	970,733
JPMorgan Chase Bank	Villa Serena Apartments, LP	5.80%	13,761	05/2030	1,456,845
County of San Diego Dept of Hsg & Comm Dev	Villa Serena Apartments, LP	3.00%	1,265	06/2034	167,822
San Marcos RDA	Villa Serena Apartments, LP	3.00%	(1)	01/2027	5,717,212
FHLB Affordable Housing Program	Villa Serena Apartments, LP	0.00%	(3)	05/2030	337,680
Community Development Commission of National City	Vista del Sol Apartments, LP	3.00%	(1)	12/2073	7,407,795
Copper Hills Apartments LP	Vista del Sol Apartments, LP	5.00%	(1)	12/2074	2,500,000
Pacific Western Bank	Vista del Sol Apartments, LP	3.00%	(1)	12/2036	4,584,291
US Bank National Bank	Vista Dunes Housing Ptrs, L.P.	6.90%	7,788	11/2038	1,027,151
NCRC	Vista Dunes Housing Ptrs, L.P.	4.88%	(1)	09/2062	5,200,000
NCRC	Vista Dunes Housing Ptrs, L.P.	1.00%	(1)	12/2062	2,101,689
US Bank(Mortgage 1)	Vista Terraza Housing Partners, LP	5.81%	25,343	05/2037	3,581,243
WPH(Agency 1)	Vista Terraza Housing Partners, LP	4.70%	(1)	04/2060	4,673,244
CA DHCD(Agency)	Vista Terraza Housing Partners, LP	3.00%	(2)	05/2062	7,000,302
Wells Fargo Bank	Waterman Gardens Ptr 1, L.P.	3.65%	(1)	11/2046	8,129,011
Wells Fargo Bank	Waterman Gardens Ptr 1, L.P.	2.94%	(12)	04/2018	9,061,228
City of San Bernardino HOME Funds	Waterman Gardens Ptr 1, L.P.	3.00%	(1)	(d)	660,600
Housing Authority of San Bernardino	Waterman Gardens Ptr 1, L.P.	3.00%	(1)	(d)	762,000
Housing Authority of San Bernardino	Waterman Gardens Ptr 1, L.P.	2.33%	(1)	(d)	663,000
City of Oceanside	Mission Cove Family II	3.00%	(8)	(d)	4,509,979
City of Oceanside (Ground Lease Loan)	Mission Cove Family II	0.00%	(8)	(d)	5,000,000
City of Oceanside (AHP Loan)	Mission Cove Family II	0.00%	(3)	03/2072	590,000
City of Oceanside (Construction Loan)	Mission Cove Family II	variable	(3)	04/2019	4,718,573
Berkadia Commercial Mort.	Westlake Housing Partners, LP	5.87%	3,930	06/2030	676,435
City of San Marcos	Westlake Housing Partners, LP	3.00%	(1)	12/2071	13,330,252
NCRC AHP	Westlake Housing Partners, LP	0.00%	(3)	04/2069	480,000
CCRC	Woods Family Housing Ptrs LP	8.50%	10,765	11/2043	1,350,525
LACDC - Industry funds	Woods Family Housing Ptrs LP	3.00%	(1)	09/2063	1,249,201
LACDC - Maravilla funds	Woods Family Housing Ptrs LP	3.00%	(1)	09/2063	1,000,000
LACDC - CDBG funds	Woods Family Housing Ptrs LP	3.00%	(1)	09/2063	1,000,000
LACDC - First District Loan	Woods Family Housing Ptrs LP	3.00%	(1)	09/2063	1,000,000
LACDC - HOME funds	Woods Family Housing Ptrs LP	3.00%	(1)	09/2063	2,047,376
NCRC (HCD Grant)	Woods Family Housing Ptrs LP	0.00%	(1)	01/2066	2,465,846
JPMorgan Chase Bank	Yorba Linda Housing Ptrs LP	6.07%	29,280	12/2039	4,267,990

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City of Yorba Linda RDA	Yorba Linda Housing Ptrs LP	3.00%	(1)	05/2061	\$ 12,726,406
JPMorgan Chase Bank	Yorba Linda Housing Ptrs LP	0.00%	(1)	11/2039	750,000
Bonneville Mortgage	Yucca Valley Senior Housing Partners LP	4.21%	3,664	02/2056	835,160
Town of Yucca Valley	Yucca Valley Senior Housing Partners LP	0.50%	(1)	04/2068	2,925,000
AHP Funds	Yucca Valley Senior Housing Partners LP	0.00%	(3)	01/2030	1,180,000
San Bernardino County	Yucca Valley Senior Housing Partners LP	3.00%	(1)	12/2069	1,622,830
Subtotal					\$ 670,327,586
Less: intercompany notes eliminated upon consolidation					(42,536,261)
Consolidated subtotal					627,791,325
Less: unamortized debt issuance costs					(7,376,587)
Mortgages and notes payable, net					\$ 620,414,738

- (a) Maturity Date will be 55 years from completion of construction.
 - (b) Maturity Date will be 55 years from 50% occupancy.
 - (c) Loan is being forgiven and is in the process of being reconveyed.
 - (d) Maturity Date will be 55 years from the Certificate of Occupancy.
 - (e) Maturity Date will be 15 years from the Certificate of Occupancy.
 - (f) Maturity Date will be 30 years from the Certificate of Occupancy.
 - (1) Payment is based on residual receipts.
 - (2) Payment in the amount of .42% per annum.
 - (3) Full payment at maturity.
 - (4) Interest only monthly, principal payment at maturity.
 - (5) Monthly payments of interest and semi-annual payments of principal.
 - (6) Payments are deferred for 55 years.
 - (7) Principal payments are based on residual receipts.
 - (8) Will be converted into a permanent loan at the end of construction. Loan has been extended.
 - (9) Construction loan has been extended.
 - (10) Interest only until 11/1/2017 then monthly payments of \$35,164.
 - (11) Payment in the amount of .25% per annum.
 - (12) To be paid off once construction is complete.
- ** See Note 19 for subsequent events applicable to this loan.

Debt issuance costs are being amortized to interest expense over the term of the loan. For the year ended December 31, 2017, the effective interest rate was 3.14%. During 2017, amortization expense for debt issuance costs was \$496,917.

Interest rate swap

To minimize the effect of changes in interest rates on the mortgage on NCRC's corporate office building, on October 1, 2015 NCRC entered into an interest rate swap agreement with Wells Fargo (the "Swap Agreement"). Under the Swap Agreement NCRC pays interest at a fixed rate of 3.58% and Wells Fargo pays the interest at a variable rate of LIBOR plus 1.88%. The variable rate under the Swap Agreement is based on the same notional amount as the underlying mortgage, which was \$2,308,285 as of December 31, 2017. The notional amount of the Swap Agreement is equal to the outstanding amount of the bonds. The Swap Agreement expires upon the earlier of payment in full of the mortgage or September 1, 2022. See Note 7.

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6. Mortgages and notes payable, net (continued)

Note Payable La Quinta Redevelopment Agency

For the year ended June 30, 2008, NCRC acquired a partially constructed project from the La Quinta Redevelopment Agency (the "Agency") for \$24,000,000 pursuant to the Amended and Restated Affordability Housing Agreement dated October 31, 2007. NCRC gave the Agency a note in the same amount of \$24,000,000. The \$24,000,000 represented the amount that the Agency had spent on construction as of the date the sale of the partially completed project to NCRC. The note does not bear interest and is automatically forgiven five years after the date that Vista Dunes Housing Partners, L.P. (an entity in which NCRC holds a general partner interest through an affiliate) executes its permanent loan (which occurred on February 1, 2009), as long as NCRC does not violate any of the agreement covenants. On October 31, 2007, NCRC sold the project to Vista Dunes Housing Partners, L.P. for \$5,200,000. The sales price of \$5,200,000 was determined by an appraisal commissioned by NCRC. NCRC believes the fair value of the project's assets sold to Vista Dunes Housing Partners, L.P. is \$5,200,000. Therefore, NCRC believes that the fair value of the project assets acquired from the Agency, and the note payable to the Agency, is \$5,200,000. The fair value of the \$24,000,000 note at face value is set at \$5,200,000. On February 10, 2015 the loan was re-conveyed and will be amortized over the remaining compliance period of the Vista Dunes project. Consequently, the entire \$5,200,000 was classified as temporarily restricted net assets on the accompanying consolidated statement of financial position. Release of restriction on this grant commenced in February 2015 and will continue over a 46-year period on a straight line basis. For the year ended December 31, 2017, \$113,043 of temporarily restricted assets was released, recognized as income and is included in other income on the statement of activities. Amortization in subsequent years will be approximately \$113,043 per year. As of December 31, 2017, NCRC has a balance of temporarily restricted net assets of \$4,870,291 attributable to the loan forgiveness.

There were additional advances from the Agency totaling \$1,910,067. The entire amount was forgiven in a prior year and is classified as temporarily restricted net assets on the statement of financial position. Release of restriction on this grant commenced in February 2015 and will continue over a 46-year period on the straight line basis. For the year ended December 31, 2017, \$38,213 of temporarily restricted net assets was released, recognized as income and is included in other income on the statement of activities. Amortization in subsequent years will be approximately \$38,213 per year. As of December 31, 2017, NCRC has a balance of temporarily restricted net assets of \$1,716,390 attributable to the forgiveness of advances.

The aggregate maturities of the mortgages over each of the next five years and thereafter are as follows:

2018	\$ 6,969,231
2019	11,061,058
2020	7,694,835
2021	5,945,618
2022	7,271,812
Thereafter	<u>588,848,771</u>
Total	<u>\$ 627,791,325</u>

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7. Fair value – interest rate swap

As discussed in Note 6, NCRC has an interest rate swap on one of its mortgages. NCRC recorded an asset for the fair market value of the interest rate swap as of December 31, 2017 in the amount of \$37,475, which represents the fair value of the future differences in interest to be paid and received under the Swap Agreement over the remaining term of the Swap Agreement. During the year ended December 31, 2017, a gain in fair market value of \$16,573 has been realized and is included in other expense on the accompanying consolidated statement of activities.

On a recurring basis, NCRC measures its interest rate swap at its estimated fair value. In determining the fair value of its interest rate swap derivative, NCRC uses the present value of expected cash flows based on market observable interest rate yield curve commensurate with the term of the instrument. NCRC incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and that of the respective counterparty in the fair value measurement. The credit valuation adjustments utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by either the respective counterparty or NCRC. However, NCRC determined that as of December 31, 2017, the impact of the credit valuation adjustments were not significant to the overall valuation of the swap. As a result, the fair value of the swap is considered to be based primarily on Level 2 inputs.

No other assets or liabilities are measured at fair value as of December 31, 2017. The following table presents the financial liability measured at fair value on a recurring basis as of December 31, 2017:

	Level 1	Level 2	Level 3	Fair Value Measurements
Interest rate swap	\$ -	\$ 37,475	\$ -	\$ 37,475

8. Extended affordability agreement

In 2008, NCRC received a \$42,500,000 donation under the terms of an Extended Affordability Agreement with the Rancho Cucamonga Redevelopment Agency, in which NCRC agreed to add certain units to the existing below market units currently specified at four affordable housing properties named in the agreement and to keep all the below market units at each property at the agreed upon below market rate for a minimum of 99 years. The agreement to keep the properties as regulated affordable housing for a minimum of 99 years is a restriction on NCRC. The restriction is removed as progress is made in satisfying the 99-year term of the rent affordability restriction in the agreement. Consequently, the entire \$42,500,000 was classified as temporarily restricted net assets on the statement of financial position. Amortization of this grant commenced in December 2007 over the 99-year term on a straight line basis. For the year ended December 31, 2017, \$429,293 of temporarily restricted net assets were added to unrestricted net assets. Amortization in subsequent years will be approximately \$429,300 per year. As of December 31, 2017, NCRC has a balance of temporarily restricted net assets of \$38,217,251 attributable to the extended affordability agreement.

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9. Pledge Agreement grant

On July 24, 1994, NCRC executed a Pledge Agreement (the “Pledge Agreement”) with the Redevelopment Agency of the City of Rancho Cucamonga (the “Redevelopment Agency”). The purpose of the agreement is to enable the Redevelopment Agency to provide NCRC funds on an annual basis over a period of thirty years to assist NCRC in acquiring qualifying apartment projects from the Redevelopment Agency’s set-aside funds. As a result of this agreement NCRC acquired three qualifying projects. NCRC executed a Regulatory Agreement and Declaration of Restrictive Covenants for each of the three projects which impose tenant income and rent restrictions. Over time, the Pledge Agreement was amended to satisfy certain requirements of the Redevelopment Agency. The Redevelopment Agency successor agency is the City of Rancho Cucamonga, and continued funding of the Pledge Agreement grant is included in the Rancho Cucamonga Redevelopment Agency’s Enforceable Obligation Payment Schedule.

For the year ended December 31, 2017, the Redevelopment Agency funded \$363,200 under the Pledge Agreement, which is included in temporarily restricted net assets on the statement of activities. The funding is accounted for as temporarily restricted grant income. As expenditures from the replacement reserves are made, temporarily restricted net assets are released in the same amount. For the year ended December 31, 2017, \$237,122 of temporarily restricted net assets were released into unrestricted net assets. As of December 31, 2017, NCRC has a balance of temporarily restricted net assets of \$4,355,512 attributable to the Pledge Agreement grant.

10. Retirement plan

NCRC maintains a Voluntary 401(k) Retirement Plan that covers substantially all full-time employees of NCRC. Contributions are matched as follows: 200% match for 1% deferral, up to statutory limits; 100% match for 2%, 3%, and 4% deferrals, up to statutory limits; 100% vested in matching contribution, up to statutory limits; and annual discretionary contributions. Discretionary contributions are determined by management and are allocated to all eligible employees based upon compensation. For the year ended December 31, 2017, \$414,633 was contributed by NCRC to the retirement plan and is included in wages and salaries expense on the accompanying consolidated statement of activities and changes in net assets. As of December 31, 2017, accrued retirement plan payables totaled \$340,659 and is included in accrued expenses on the accompanying consolidated statement of financial position.

11. Housing assistance payments and contracts

HUD has contracted pursuant to Section 8 of the Housing Act of 1937 to make housing assistance payments to three affiliates controlled by NCRC on behalf of qualified tenants. The agreements have various expiration dates, with contract terms of generally 5-20 years. For the year ended December 31, 2017, the affiliates received \$876,292 under these agreements, which is included in rental income on the accompanying consolidated statement of activities.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

12. Related party transactions

In the ordinary course of business, NCRC has significant related party transactions with its wholly-owned subsidiaries and affiliates. It provides funding in connection with the development and management of projects. In certain cases, NCRC pays operating expenses on behalf of affiliates. Such amounts are unsecured, non-interest bearing and payable upon demand.

NCRC earns construction contractor's fees, supervisory management and asset management fees, construction supervisory management fees, social services fees and property management fees in connection with services rendered to consolidated affiliated entities. Such amounts are generally payable from available cash flows. All intercompany amounts are eliminated upon consolidation.

Advances due from affiliates

The amounts loaned by NCRC to affiliates primarily represent development loans and other entity expenses that do not eliminate upon consolidation. These loans are unsecured, due on demand and some bear interest. As of December 31, 2017, such amounts due are \$1,877,231.

From time-to-time, NCRC advances funds to NCRDC to cover operating deficits. The advances are unsecured and due on demand. As of December 31, 2017, such advances totaled \$3,837,442, which is included in advances due from affiliates on the accompanying consolidated statement of financial position. NCRDC's management has provided to the management of NCRC their plans, as well as their underlying estimates and assumptions, to repay the advances. Management of NCRC has reviewed the plans, estimates and assumptions and accordingly has determined that no allowance for doubtful accounts is required as of December 31, 2017.

General and administrative expense allocation

NCRC allocates 7% of its general and administrative expenses to NCRDC. The allocation is based on a combination of total organization head count and total properties managed by each organization.

13. Guarantees

In its role as general partner of the various Housing Affiliates, NCRC is liable for recourse liabilities. In connection with their general partnership interests, certain guarantees have been made to the partnerships.

Development deficit guaranty

NCRC, or its affiliates, are obligated to pay any development deficits or, at the option of the investor limited partner, to purchase the interest of the investor limited partner if the project is not completed or if permanent financing has not been obtained. This obligation terminates at achievement of break-even operations, as defined. As of December 31, 2017, no amounts were due under this guaranty.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

13. Guarantees (continued)

Operating deficit guaranty

NCRC, or its affiliates, are obligated to make non-interest bearing loans to cover operating shortfalls and are repayable through available cash flow. The guaranty is generally for a period of three to five years, commencing with the break-even date, as defined. As of December 31, 2017, no amounts were due under this obligation. The following are the projects that are under the operating deficit guaranty, the period covered and the amount of the guaranty:

Project	Period covered	Amount
Normandie Senior Housing Partners, LP	01/12 - 01/17	\$ 200,000
ANF Family Partners II, LP	01/12 - 01/17	500,000
Woods Family Housing Ptrs LP	07/12 - 07/17	382,412
Westlake Village Housing Partners, LP	09/13 - 09/18	300,000
Downey Housing Partners, LP	06/15 - 06/18	307,000
Richmar Housing Partners, LP	11/14 - 11/19	300,000
Yucca Valley Housing Partners, LP	09/15 - 09/20	210,920
Mar Vista Union Housing Partners, LP	10/16 - 10/21	150,000
Savi Ranch Housing Partners, LP	12/16 - 12/21	300,000
Avenida Serra Housing Partners, LP	03/16 - 03/21	110,000

Recapture guaranty

The Housing Affiliates' projects are operated in a manner necessary to qualify for federal low-income housing tax credits under IRC Section 42 (the "Tax Credits"). In order to qualify for these credits, the projects must comply with various federal and state requirements. Because the Tax Credits are subject to compliance with certain requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized, and failure to meet all such requirements or to correct noncompliance within a specified time period may result in recapture of Tax Credits previously allocated. A recapture would require credit deficit payments to the limited partners for any recaptured credits plus any associated penalties, interest or additional taxes due, commencing with the break-even date, as defined. As of December 31, 2017, no amounts were due under these guarantees.

14. Gain on sale of rental property

On April 24, 2017, Executive Lodge Apartments, LP sold the project for a total purchase price of \$9,507,012 to The Promenade Housing Partners, LP. Both the seller and buyer are Housing Affiliates. The buyer acquired the building and certain assets and liabilities. A \$1,366,422 seller carryback loan is eliminated upon consolidation. A gain on sale of fixed assets of \$3,684,336 was recognized at the time of sale and is eliminated upon consolidation in property, equipment and improvements and gain on sale of rental property on the accompanying consolidated financial statements.

On December 22, 2017, Copper Hills Apartments, LP sold the project for a total purchase price of \$14,792,000 to Vista Del Sol Apartments, LP. Both the seller and buyer are Housing Affiliates. At the time of the sale, NCRC directly held the 99.99% limited partner interests in the seller entity. The buyer acquired the building and certain assets and liabilities. A \$2,500,000 seller carryback loan is eliminated upon consolidation. A gain on sale of fixed assets of \$7,362,963 was recognized at the time of sale and is eliminated upon consolidation in property, equipment and improvements and gain on sale of rental property on the accompanying consolidated financial statements.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

15. Surplus cash and residual receipts

Some of the properties owned by or affiliated with NCRC and its subsidiaries are subject to regulatory agreements with HUD or state and local regulatory agencies, which restrict the use of the property and limit the use of project cash. Under the regulatory agreements, the partners of the affiliate partnerships are precluded from receiving any distributions of operating cash except to the extent of a portion of annual surplus cash, as defined.

16. Litigation management fee

In a prior year, one of the Housing Affiliate projects, Vista Terraza, suffered construction defects caused by an unrelated construction contractor. As of December 31, 2017, NCRC expected to receive a litigation management fee out of the litigation settlement for its services in managing the litigation process. As of December 31, 2017, NCRC recorded an estimated \$2,230,500 for this earned fee, which is included in accounts receivable and other revenue on the accompanying consolidated financial statements. See Note 19.

17. Commitments and contingencies

Grant and property use restrictions

Many of the properties owned and operated by NCRC were developed using monies provided by grants and restrictive, low-interest rate loans. The terms of these loans restrict the use of the property and generally require it be rented to low-income qualified tenants for the period of the grant or related loan term. NCRC also receives grants with restrictions other than property use. Failure to comply with the terms of the grant or the loans would result in a requirement to repay a portion or all of the proceeds received.

Litigation

NCRC is subject to lawsuits and claims, which arise out of the normal course of its activities. In the opinion of management, based upon the opinions of legal counsel, the disposition of any and all such actions, of which it is aware, will not have a material effect on the financial position of NCRC.

Other

As general partners in the Housing Affiliates, NCRC may be subject to other liabilities, should the affected Housing Affiliates' assets become insufficient to meet their obligations. In the opinion of management, future revenues and the value of the underlying assets of each of these Housing Affiliates will be sufficient to meet ongoing and future obligations.

18. ATF Global Settlement

On August 23, 2017, NCRC entered into a Master Agreement with Alden Torch Financial LLC ("ATF"), an unrelated party, to purchase ATF's limited partner interests in 21 of the Housing Affiliate partnerships and dispose of Squire Court Partners, LP ("Squire Court"), for the aggregate consideration of \$8,500,000 (the "ATF Global Settlement"). During 2017, purchases of five of the Housing Affiliates closed and \$300,000 released from escrow for each. \$1,500,000 is included in investments on the accompanying consolidated statement of financial position. On December 21, 2017, the general partner interests in Squire Court were assigned to affiliates of ATF and a settlement paid of \$2,000,000, which is loss on disposal of assets on the accompanying consolidated statement of activities. As of December 31, 2017, the ATF Global Settlement escrow balance was \$5,004,000, which is included in restricted cash on the accompanying consolidated statement of financial position.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

19. Subsequent events

Subsequent events have been evaluated through June 27, 2018, which is the date the financial statements were available to be issued. The following are subsequent events requiring disclosure:

On January 8, 2018, NCRC's line of credit with US Bank, which had a balance of \$3,000,000 as of December 31, 2017, was paid down by a line of credit from Citizens Business Bank. The revolving line of credit has a maximum credit line of \$5,000,000. See Note 6.

In February 2018, NCRC's \$2,500,000 line of credit from WNC Development Partners, LLC, which was to mature in August 2018, was paid down in full. See Note 6.

On February 14, 2018, NCRC received \$2,690,737 for the litigation settlement fee earned for managing litigation connected to construction defects at one of the Housing Affiliate projects. See Note 16.

On March 2, 2018, NCRC's loan with Century Housing Corporation, which had a balance of \$2,309,078 as of December 31, 2017, was paid off in full by affiliate NCRC Encanto, LP. See Note 6.

In March 2018, NCRC's \$1,400,000 line of credit was paid down to comply with the 30-day out of debt period. See Note 6.

As of June 27, 2018, an additional 10 Housing Affiliates projects that are part of the ATF Global Settlement (see Note 18) have become wholly-owned affiliates of NCRC.

SUPPLEMENTARY INFORMATION

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPLEMENTAL SCHEDULE
DECEMBER 31, 2017

	National Community Renaissance of California	Hope Through Housing	Wholly-Owned	Eliminating Entries	National CORE of California	Housing Affiliates	Eliminating Entries	Total
<u>Assets</u>								
Cash and cash equivalents	\$ 3,745,061	\$ 542,958	\$ 5,951,686	\$ -	\$ 10,239,705	\$ 11,341,735	\$ -	\$ 21,581,440
Reserve for security deposits held in trust	-	-	1,179,934	-	1,179,934	2,551,625	-	3,731,559
Restricted cash	5,148,120	-	13,356,316	-	18,504,436	22,171,010	-	40,675,446
Accounts receivable, net	2,777,818	54,372	1,141,463	(161,173)	3,812,480	1,410,505	(917,839)	4,305,146
Prepaid expenses	220,892	6,991	213,935	-	441,818	1,546,085	-	1,987,903
Advance due from affiliates, net	17,737,928	379,100	1,023,409	(1,299,320)	17,841,117	7,866	(12,134,310)	5,714,673
Project development costs receivable	8,106,269	-	-	(7,081,382)	1,024,887	-	(71,337)	953,550
Notes receivable, net	18,506,369	-	19,802,872	(2,000,000)	36,309,241	4,241,710	(40,550,951)	-
Developer fee receivable	10,775,334	-	-	-	10,775,334	-	(10,390,520)	384,814
Investments	2,225,027	-	-	-	2,225,027	-	-	2,225,027
Property, equipment and improvements, net	3,956,777	587,770	96,043,829	(1,187,258)	99,401,118	736,057,658	(11,157,540)	824,301,236
Deferred costs, net	-	-	6,444	-	6,444	3,117,420	-	3,123,864
Total assets	\$ 73,199,595	\$ 1,571,191	\$ 138,719,888	\$ (11,729,133)	\$ 201,761,541	\$ 782,445,614	\$ (75,222,497)	\$ 908,984,658
<u>Liabilities and Net Assets</u>								
Accounts payable	\$ 944,318	\$ 66,905	\$ 850,694	\$ -	\$ 1,861,917	\$ 10,862,055	\$ -	\$ 12,723,972
Accrued expenses	953,013	73,018	191,353	-	1,217,384	947,516	(309,056)	1,855,844
Security deposits	-	-	1,177,328	-	1,177,328	2,519,795	-	3,697,123
Deferred revenue	2,947,796	-	164,009	-	3,111,805	386,819	(2,964,219)	534,405
Accrued interest	(8,995)	-	5,404,222	-	5,395,227	74,761,361	(917,838)	79,238,750
Mortgages and notes payable, net	15,675,089	-	67,204,719	(2,000,000)	80,879,808	580,071,191	(40,536,261)	620,414,738
Due to affiliates	-	-	8,625,608	(8,531,916)	93,692	13,646,356	(12,728,802)	1,011,246
Developer fee payable	-	-	-	-	-	7,314,125	(6,718,981)	595,144
Total liabilities	20,511,221	139,923	83,617,933	(10,531,916)	93,737,161	690,509,218	(64,175,157)	720,071,222
<u>Net assets</u>								
Unrestricted net assets, controlling	19,381,792	1,028,224	39,249,093	(1,197,217)	58,461,892	2,857,525	(21,281,573)	40,037,844
Unrestricted net assets, non-controlling	-	-	-	-	-	89,078,871	10,234,233	99,313,104
Total unrestricted net assets	19,381,792	1,028,224	39,249,093	(1,197,217)	58,461,892	91,936,396	(11,047,340)	139,350,948
Temporarily restricted net assets	33,306,582	403,044	15,852,862	-	49,562,488	-	-	49,562,488
Total net assets	52,688,374	1,431,268	55,101,955	(1,197,217)	108,024,380	91,936,396	(11,047,340)	188,913,436
Total liabilities and net assets	\$ 73,199,595	\$ 1,571,191	\$ 138,719,888	\$ (11,729,133)	\$ 201,761,541	\$ 782,445,614	\$ (75,222,497)	\$ 908,984,658

see report of independent auditors

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - SUPPLEMENTAL SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2017

	National Community Renaissance of California	Hope Through Housing	Wholly-Owned	Eliminating Entries	National CORE of California	Housing Affiliates	Temporarily Restricted Net Assets	Eliminating Entries	Total
Revenues and gains									
Rental income, net of vacancy	\$ -	\$ -	\$ 19,702,600	\$ -	\$ 19,702,600	\$ 42,740,410	\$ -	\$ -	\$ 62,443,010
Other rental income	-	-	694,649	-	694,649	1,289,419	-	-	1,984,068
Consulting, development and partnership fees	17,035,757	1,454,615	-	(3,411,482)	15,078,890	-	-	(4,463,919)	10,614,971
Management fees	4,219,932	-	-	(1,462,400)	2,757,532	-	-	(2,512,196)	245,336
Private donations - Hope Through Housing	-	775,462	-	-	775,462	-	-	-	775,462
Grants, including release of temporarily restricted net assets	752,264	948,432	609,333	-	2,310,029	72,038	(278,009)	-	2,104,058
Grants - Hope Through Housing	-	347,323	-	-	347,323	-	-	-	347,323
Interest	453,059	674	323,234	-	776,967	40,363	-	(100,223)	717,107
Gain on sale of rental property	-	-	-	-	-	11,047,299	-	(11,047,299)	-
Forgiveness of debt income	-	3,813,786	-	(3,813,786)	-	-	-	-	-
Other revenue	2,562,475	145,453	8,203	-	2,716,131	151,563	-	(226,448)	2,641,246
Total revenues and gains	25,023,487	7,485,745	21,338,019	(8,687,668)	45,159,583	55,341,092	(278,009)	(18,350,085)	81,872,581
Expenses									
Administrative	1,867,949	2,299,851	1,774,623	(207,166)	5,735,257	4,943,268	-	(778,469)	9,900,056
Salaries and related expenses	9,713,788	1,267,746	2,754,156	(7,638)	13,728,052	6,656,954	-	-	20,385,006
Utilities	71,189	6,864	2,105,498	-	2,183,551	6,037,664	-	-	8,221,215
Operating and maintenance	79,261	2,948	3,663,825	-	3,746,034	7,070,168	-	-	10,816,202
Professional services	1,705,019	2,363	95,548	-	1,802,930	73,234	-	-	1,876,164
Taxes and insurance	152,168	36,787	1,271,272	-	1,460,227	2,430,433	-	-	3,890,660
Interest	423,998	-	1,961,926	-	2,385,924	17,300,118	-	(492,254)	19,193,788
Depreciation and amortization	335,573	12,426	2,785,384	-	3,133,383	22,834,752	-	-	25,968,135
Management fees	19,118	-	3,479,752	(3,455,171)	43,699	3,625,645	-	(3,194,647)	474,697
Loss on disposal of assets	2,000,000	-	-	-	2,000,000	-	-	-	2,000,000
Forgiveness of debt	1,813,786	-	2,000,000	(3,813,786)	-	-	-	-	-
Other expense	1,185,087	-	-	-	1,185,087	-	-	162,583	1,347,670
Fundraising expenses	-	449,533	-	-	449,533	-	-	-	449,533
Total expenses	19,366,936	4,078,518	21,891,984	(7,483,761)	37,853,677	70,972,236	-	(4,302,787)	104,523,126
Increase (decrease) in unrestricted net assets	\$ 5,656,551	\$ 3,407,227	\$ (553,965)	\$ (1,203,907)	\$ 7,305,906	\$ (15,631,144)	\$ (278,009)	\$ (14,047,298)	\$ (22,650,545)
Net assets									
Controlling interest									
Unrestricted, beginning of year	\$ 14,177,001	\$ (2,555,456)	\$ 41,862,656	\$ (1,197,217)	\$ 52,286,984	\$ (745,387)	\$ -	\$ (10,234,233)	\$ 41,307,364
Net income (loss)	5,204,791	3,583,680	(556,667)	(1,203,907)	7,027,897	10,530,248	-	(14,047,298)	3,510,847
Distributions	-	-	(1,203,907)	1,203,907	-	(2,999,958)	-	2,999,958	-
Transfer of limited partner interests	-	-	(852,989)	-	(852,989)	(3,927,378)	-	-	(4,780,367)
Unrestricted, end of year	\$ 19,381,792	\$ 1,028,224	\$ 39,249,093	\$ (1,197,217)	\$ 58,461,892	\$ 2,857,525	\$ -	\$ (21,281,573)	\$ 40,037,844
Temporarily restricted, beginning of year	\$ 33,758,342	\$ 226,591	\$ 15,855,564	\$ -	\$ 49,840,497	\$ -	\$ -	\$ -	\$ 49,840,497
Increase in temporarily restricted net assets	-	385,461	363,200	-	748,661	-	-	-	748,661
Release of temporarily restricted net assets	(451,760)	(209,008)	(365,902)	-	(1,026,670)	-	-	-	(1,026,670)
Temporarily restricted, end of year	\$ 33,306,582	\$ 403,044	\$ 15,852,862	\$ -	\$ 49,562,488	\$ -	\$ -	\$ -	\$ 49,562,488
Non-controlling interest									
Unrestricted, beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,006,396	\$ -	\$ 10,234,233	\$ 85,240,629
Contributions	-	-	-	-	-	35,859,817	-	-	35,859,817
Distributions	-	-	-	-	-	(406,317)	-	-	(406,317)
Net income (loss)	-	-	-	-	-	(26,161,392)	-	-	(26,161,392)
Transfer of limited partner interests	-	-	-	-	-	4,780,367	-	-	4,780,367
Unrestricted, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,078,871	\$ -	\$ 10,234,233	\$ 99,313,104

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2017

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Agreement Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development, passed through from Long Beach Affordable Housing Coalition, Inc. City of Hawthorne County of Riverside			
HOME Investment Partnerships Program	14.239	N/A	\$ 1,008,149
			<hr/>
Total expenditures of federal awards			<u>\$ 1,008,149</u>

See report of independent auditors and accompanying notes to
Schedule of Expenditures of Federal Awards

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2017

1. Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the expenditures of National Community Renaissance of California (the “Organization”) under programs of the federal government for the year ended December 31, 2017. The information in the 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*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

For purposes of the Schedule, federal awards include all sub awards to the Organization by nonfederal organizations pursuant to federal grants, contract and similar agreements.

2. Summary of significant accounting policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed. Catalogue of Federal Domestic Assistance numbers (“CFDA No.”) are provided when available.

3. Outstanding federal loans

The following represents the amount of outstanding loans identified by CFDA No. All loans are provided by U.S. Department of Housing and Urban Development and are included in the Schedule.

CFDA No.	Program title	Loans received in 2017	Prior year loans with continuing compliance requirements	Total outstanding loans December 31, 2017
14.239	HOME Investment Partnerships Program	\$ 0	\$ 988,362	\$ 988,362

No. HOME units	Project	Pass-through entity	CFDA Number	Outstanding Balance as of 12/31/2017
		Long Beach Affordable Housing Coalition, Inc.	14.239	\$ 550,000
11	Clark			
13	Hawthorne	City of Hawthorne	14.239	207,645
11	Cathedral Palms	County of Riverside	14.239	88,943
11	Corona del Rey	County of Riverside	14.239	141,774
46		Total of HOME Investments Partnership Program		<u>\$ 988,362</u>

See report of independent auditors



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REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
National Community Renaissance of California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of National Community Renaissance of California, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statement of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered National Community Renaissance of California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Community Renaissance of California's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Novogradac & Company LLP

Walnut Creek, California
June 27, 2018



REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
National Community Renaissance of California

Report on Compliance for Each Major Federal Program

We have audited National Community Renaissance of California'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 National Community Renaissance of California's major federal programs for the year ended December 31, 2017. National Community Renaissance of California's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of National Community Renaissance of California's compliance.

Opinion on Each Major Federal Program

In our opinion, National Community Renaissance of California 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 December 31, 2017.

Other Matters

Report on Internal Control over Compliance

Management of National Community Renaissance of California is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered National Community Renaissance of California'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, we do not express an opinion on the effectiveness of National Community Renaissance of California's internal control over compliance.

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

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

Purpose of this Report

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



Walnut Creek, California
June 27, 2018

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ x _____	No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	_____ x _____	None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ x _____	No

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	_____ Yes	_____ x _____	No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	_____ x _____	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified		
Audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ Yes	_____ x _____	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? x Yes No

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND RECOMMENDATIONS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Section II - Financial Statement Findings

There were no findings noted.

Section III - Federal Award Findings and Questioned Costs

There were no findings noted.

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017

There were no prior year audit findings.