

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the year ended December 31, 2018
with
Report of Independent Auditors

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA

Table of Contents

	<u>Page</u>
Report of Independent Auditors	2-3
Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities and Changes in Net Assets	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Changes in Net Assets	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9-35
Supplementary Information – Consolidating Schedules	
Consolidating Statement of Financial Position	37
Consolidating Statement of Activities and Changes in Net Assets	38
Supplementary Information Required by the Uniform Guidance	
Schedule of Expenditures of Federal Awards	39
Notes to Schedule of Expenditures of Federal Awards	40
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 <i>Government Auditing Standards</i>	41-42
Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	43-44
Schedule of Findings and Questioned Costs and Recommendations	45-46
Schedule of the Status of Prior Audit Findings and Questioned Costs	47



**NOVOGRADAC
& COMPANY** LLP®

CERTIFIED PUBLIC ACCOUNTANTS

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, 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, changes in net assets and cash flows for the years 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.

NOVOGRADAC & COMPANY LLP

P 925.949.4300

F 925.949.4301

W www.novoco.com

OFFICE 2033 North Main Street, Suite 400
Walnut Creek, Calif. 94596

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, 2018, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, National Community Renaissance of California adopted a change in accounting principle for financial reporting, primarily related to the presentation of net assets and required disclosures related to liquidity and functional expenses. Our opinion is not modified with respect to that matter.

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 August 7, 2019, 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 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
August 7, 2019

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	National Community Renaissance of California	Housing Affiliates	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 13,996,603	\$ 13,409,234	\$ -	\$ 27,405,837
Reserve for security deposits held in trust	1,921,014	2,119,372	-	4,040,386
Restricted cash	20,093,893	17,550,751	-	37,644,644
Accounts receivable, net	1,462,073	534,303	(414,214)	1,582,162
Prepaid expense	399,087	7,571,564	-	7,970,651
Advance due from affiliates, net	9,941,598	2,230	(2,988,627)	6,955,201
Notes and interest receivable	54,069,970	1,356,422	(55,426,392)	-
Project development costs receivable	956,226	-	(2,676)	953,550
Developer fee receivable	11,842,762	-	(11,416,714)	426,048
Investments	6,731,361	-	-	6,731,361
Property, equipment and improvements, net	181,161,119	743,593,605	(35,610,917)	889,143,807
Deferred costs, net	1,709,194	1,547,292	-	3,256,486
	<u>\$ 304,284,900</u>	<u>\$ 787,684,773</u>	<u>\$ (105,859,540)</u>	<u>\$ 986,110,133</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 2,841,498	\$ 21,991,453	\$ -	\$ 24,832,951
Security deposits payable	1,844,537	2,062,891	-	3,907,428
Accrued expenses	1,866,930	775,919	(285,954)	2,356,895
Deferred revenue	177,467	232,268	-	409,735
Accrued interest	22,195,609	62,493,942	(997,038)	83,692,513
Mortgages and notes payable, net	148,538,690	557,691,994	(54,852,877)	651,377,807
Due to affiliates	2,665,574	8,722,638	(9,770,219)	1,617,993
Developer fee payable	3,261,852	8,988,806	(5,494,459)	6,756,199
Total liabilities	183,392,157	662,959,911	(71,400,547)	774,951,521
Net assets				
Without donor restriction, controlling	72,182,049	2,804,265	(44,806,272)	30,180,042
Without donor restriction, non-controlling	-	121,920,597	10,347,279	132,267,876
Total net assets without donor restrictions	72,182,049	124,724,862	(34,458,993)	162,447,918
Net assets with donor restrictions	48,710,694	-	-	48,710,694
Total net assets	120,892,743	124,724,862	(34,458,993)	211,158,612
Total liabilities and net assets	<u>\$ 304,284,900</u>	<u>\$ 787,684,773</u>	<u>\$ (105,859,540)</u>	<u>\$ 986,110,133</u>

See accompanying notes

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	National Community Renaissance of California	Housing Affiliates	Net Assets with donor restrictions	Eliminations	Total
REVENUE AND OTHER INCOME					
Rental income, net of vacancy	\$ 27,623,704	\$ 37,092,894	\$ -	\$ -	\$ 64,716,598
Other rental income	-	1,089,340	-	(19,314)	1,070,026
Consulting, development and partnership fees	9,908,796	-	-	(1,614,142)	8,294,654
Management fees	2,419,611	-	-	(2,336,390)	83,221
Grants, including release of temporarily restricted net assets	3,253,966	64,494	(851,794)	-	2,466,666
Private donations - Hope Through Housing	926,836	-	-	-	926,836
Interest income	450,598	34,204	-	(50,395)	434,407
Gain on sale of property	3,994,967	19,416,686	-	(23,411,653)	-
Cancellation of debt income	114,428	-	-	-	114,428
Other revenue	2,108,234	3,162,450	-	(411,637)	4,859,047
Total revenue and other income	50,801,140	60,860,068	(851,794)	(27,843,531)	82,965,883
EXPENSES					
Program services	27,201,163	56,496,790	-	(540,056)	83,157,897
Management and general	20,182,547	7,026,289	-	(3,778,776)	23,430,060
Fundraising expenses	300,358	-	-	-	300,358
Total expenses	47,684,068	63,523,079	-	(4,318,832)	106,888,315
Changes in net assets before non-controlling interest	3,117,072	(2,663,011)	(851,794)	(23,524,699)	(23,922,432)
Less: attributable to non-controlling interest	-	(2,609,751)	-	-	(2,609,751)
Changes in net assets	\$ 3,117,072	\$ (53,260)	\$ (851,794)	\$ (23,524,699)	\$ (21,312,681)

See accompanying notes

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	National Community Renaissance of California and Wholly Owned			Housing Affiliates		Eliminations	Total
	Program Services	Management and General	Fundraising Expense	Program Services	Management and General		
EXPENDITURES							
General and administrative	\$ -	\$ 6,360,758	\$ 201,693	\$ -	\$ 2,759,081	\$ (957,794)	\$ 8,363,738
Payroll	5,468,734	11,034,737	98,665	5,722,139	-	(58,710)	22,265,565
Utilities	3,479,987	66,503	-	5,202,394	-	-	8,748,884
Taxes and insurance	1,854,590	186,121	-	2,511,102	-	-	4,551,813
Property management fees	-	574,984	-	-	3,894,581	(2,820,982)	1,648,583
Repairs and maintenance	6,014,765	-	-	5,676,929	-	-	11,691,694
Legal and other professional services	-	1,372,459	-	-	372,627	-	1,745,086
Interest expense	4,229,532	239,835	-	15,132,961	-	(481,346)	19,120,982
Depreciation and amortization expense	6,122,889	323,666	-	22,046,662	-	-	28,493,217
Other expense	30,666	23,484	-	204,603	-	-	258,753
Total expenditures	<u>\$ 27,201,163</u>	<u>\$ 20,182,547</u>	<u>\$ 300,358</u>	<u>\$ 56,496,790</u>	<u>\$ 7,026,289</u>	<u>\$ (4,318,832)</u>	<u>\$ 106,888,315</u>

See accompanying notes

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Controlling</u>	<u>Non-Controlling</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS			
Net assets without donor restrictions, January 1, 2018	\$ 40,037,844	\$ 99,313,104	\$ 139,350,948
Transfer of limited partners interest	11,524,083	(11,524,083)	-
Contributions	-	48,883,418	48,883,418
Reclassification of contributions	-	(1,527,152)	(1,527,152)
Distributions	(69,204)	(267,660)	(336,864)
Increase (decrease) in net assets	<u>(21,312,681)</u>	<u>(2,609,751)</u>	<u>(23,922,432)</u>
Balance at December 31, 2018	<u><u>30,180,042</u></u>	<u><u>132,267,876</u></u>	<u><u>162,447,918</u></u>
NET ASSETS WITH DONOR RESTRICTIONS			
Net assets with donor restrictions January 1, 2018	\$ 49,562,488	\$ -	\$ 49,562,488
Grant income - Pledge agreement grant	339,942	-	339,942
Grant income - Hope Through Housing	497,861	-	497,861
Release of temporary donor restrictions	<u>(1,689,597)</u>	<u>-</u>	<u>(1,689,597)</u>
Balance at December 31, 2018	<u><u>\$ 48,710,694</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 48,710,694</u></u>

See accompanying notes

**NATIONAL COMMUNITY RENAISSANCE
CORPORATION AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (23,922,432)
Decrease in temporarily restricted net assets	(851,794)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Bad debts	351,766
Interest expense - debt issuance costs	704,081
Depreciation and amortization	28,493,217
(Increase) decrease in assets:	
Security deposits	(308,827)
Accounts receivable	2,371,218
Prepaid expenses	(5,982,748)
Advance due from affiliate	(1,240,528)
Developer fee receivable	(41,234)
Investments	(6,334)
Increase (decrease) in liabilities:	
Accounts payable	13,713,975
Accrued expenses	501,051
Security deposits payable	210,305
Deferred revenue	(124,670)
Accrued interest	2,994,058
Due to affiliates	606,747
Developer fee payable	6,161,055
Net cash provided by operating activities	<u>23,628,906</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net withdrawals to restricted cash	3,030,802
Purchase of limited partner interests	(4,500,000)
Purchases of property, equipment and improvements	(62,867,939)
Construction in progress	(26,095,911)
Payment of construction costs in accounts payable	(4,649,851)
Net cash used in investing activities	<u>(95,082,899)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments of mortgages and notes payable	(64,028,935)
Proceeds from mortgages and notes payable	96,146,903
Payment of debt issuance costs	(1,858,980)
Capital contributions, net of reclassification	47,356,266
Capital distributions	(336,864)
Net cash provided by financing activities	<u>77,278,390</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS 5,824,397

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 21,581,440

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 27,405,837

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for interest - expensed	<u>\$ 12,258,047</u>
Cash paid for interest - capitalized	<u><u>\$ 1,459,705</u></u>

**SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING
AND FINANCING ACTIVITIES:**

Disposal of fully depreciated property, equipment and improvements	<u>\$ (274,128)</u>
Increase in accounts payable from construction in process	<u>\$ 3,044,855</u>
Reclassification of contributions	<u><u>\$ 1,527,152</u></u>

see accompanying notes

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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. 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.

The following not-for-profit supporting entities are consolidated 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
- Sycamore Springs Apartments

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018 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 Partners GP, LLC
- Day Creek Senior Housing Ptrs MGP, LLC
- Hope Through Access, Inc.
- Mission Cove Family I MGP, LLC
- Oakcrest Heights MGP, LLC
- Paseo del Oro GP, LLC
- NCRC VDP GP, LLC
- NCRC Ontario, GP
- Cobblestone GP, LLC
- National CORE Newhall Ave Hsg Ptrs MGP, LLC
- The Promenade Housing Partners GP, LLC
- River Canyon GP, LLC
- RV Housing Partners GP, LLC
- San Antonio Gateway Housing Corporation
- South Pace GP, LLC
- Glendale GP, LLC
- Val 9 MGP, LLC
- West Mission Partners, LLC
- Parkside GP, LLC
- SVSM GP, LLC
- San Ysidro Senior Village GP, LLC
- Vista del Sol GP, LLC
- WG Partners I MGP, LLC
- WG Partners II MGP, LLC

Affordable housing projects:

- Arbor Villas Apartments, LLC
- Autumn Ridge Apartments, LP*
- Bell Gardens Housing Partners, LP*
- Corona del Rey Apartments
- Corona de Oro Apartments, LP*
- Courson Senior Housing Partners, LP*
- Cathedral Palms Apartments
- Clark Manor Apartments
- Copper Hills Apartments, LP
- Northgate Village Apartments
- Hawthorne Terrace Apartments
- Renaissance Village Apartments
- Vista Terraza II Apartments
- Spring Valley Housing, LP*
- Villa Serena Apartments, LP*
- Bolt Housing Partners, LP
- Escondido Housing Partners, LP
- Rialto Housing Partners, LP
- Rancho Verde Village Apartments
- Riverside Housing Partners, LP
- Malvern Housing Partners, LP*
- Fontana Housing Partners, LP*
- Fontana II Housing Partners, LP*
- Fontana III Housing Partners, LP*
- UC Housing Partners, LP*
- Santee Apartments, LP*
- San Marcos Housing Partners, LP*
- Santa Fe Springs Housing Partners, LP*
- Victorville Housing Partners, LP*

Under development:

- Buena Park Senior Housing
- Day Creek Senior Housing Partners, LP
- Dream Homes Housing Partners, LP
- Richmar Station
- SGNTR VC, LLC
- Virginia-Holt Housing, LP
- Waterman Specific Plan
- 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, 2018

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%
Avenida Serra Housing Partners, LP	Avenida Serra Hsg Ptrs GP, LLC	0.010%
Bell Housing Partners, LP	SCHDC of Los Angeles	0.010%
Cathedral Family Housing Ptrs, LP	SCHDC of Inland Empire	0.010%
Citrus Grove Housing Partners, LP	SCHDC of Inland Empire	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%
Cobblestone Apartments, LP	Cobblestone GP, LLC	0.010%
Escondido Senior Housing Ptrs, LP	SCHDC of Orange	0.010%
Executive Lodge Apartments, LP	SCHDC of Orange	0.100%
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%
LINC-CORE Housing Ptrs Glendale, LP	NCRC Glendale GP, LLC	0.005%
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%
NCRC Encanto, LP	NCRC	0.010%
NCRC SYSV, LP	San Ysidro Senior Village GP, LLC	0.010%
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%
Parkside SD Apartments, LP	Parkside GP, LLC	0.010%
Paseo del Oro Apartments, LP	Paseo del Oro GP, LLC	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%

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. Organization and nature of operations (continued)

For-profit housing affiliate	Nonprofit general partner	%
Richmar Housing Partners, LP	SCHDC of Orange	0.010%
San Marcos Housing Partners, 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%
SVSM Apartments, LP	SVSM GP, LLC	0.010%
Val 9 Housing Partners, LP	Val 9 MGP, LLC	0.010%
Vista del Sol Apartments, LP	Vista Del Sol GP, LLC	0.008%
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 in accordance 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.

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.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Summary of significant accounting policies (continued)

Basis of presentation

NCRC is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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 net assets with donor restrictions as these funds are held for operational purposes rather than donor imposed restrictions.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Summary of significant accounting policies (continued)

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

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, 2018, the balance of the allowance for doubtful accounts was \$258,786 and bad debt expense for the year ended December 31, 2018 was \$351,766.

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, 2018, the allowance for doubtful accounts was \$1,400,000, which is eliminated upon consolidation.

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 5), 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%
Vista Del Puente, LP	NCRC VDP, LLC	0.002%
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, 2018, \$6,735 of project development costs were expensed and are included in other expense on the accompanying consolidated statement of activities.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Summary of significant accounting policies (continued)

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.

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 flows 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 flow analysis, or other valuation technique. There were no impairment losses recognized during 2018.

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, 2018 was \$192,686.

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	\$ 3,156,169	\$ 2,212,203	\$ 5,368,372
Accumulated amortization	(1,351,706)	(760,180)	(2,111,886)
Deferred costs, net	\$ 1,804,463	\$ 1,452,023	\$ 3,256,486

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 8.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Summary of significant accounting policies (continued)

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.

NCRC measures the fair value of its interest rate swap on a recurring basis in the financial statements. See Note 8.

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.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Subsidy payments from HUD under Section 8 of the National Housing Act account for a portion of the rental income. See Note 12.

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.

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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Summary of significant accounting policies (continued)

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.

Functional expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program services, management and general and fundraising expenses. Such allocations are determined by management on an equitable basis. Payroll expenses are allocated based on time and effort.

Advertising

Marketing and advertising costs are expensed as incurred.

Organization

Organization costs are expensed as incurred.

Recently issued accounting pronouncements

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230). The amendments in this update require that the statement of cash flows explain the change during the period in the total cash, cash equivalents, restricted cash, and restricted cash equivalents. The amendment is effective for an entity with a fiscal year beginning after December 15, 2018.

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

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Summary of significant accounting policies (continued)

Change in accounting principle

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. NCRC has adjusted the presentation of these financial statements accordingly.

3. Liquidity and availability of financial assets

The following represents the Organization's financial assets at December 31, 2018:

Financial assets at year end:

Cash and cash equivalents	\$ 27,405,837
Accounts receivable, net	<u>1,582,162</u>
Total financial assets	28,987,999

Less amounts not available to be used within one year:

Net assets with donor restrictions *	<u>(354,601)</u>
--------------------------------------	------------------

Financial assets available to meet general expenditures
over the next twelve months

\$ 28,633,398

* Total net assets with donor restrictions as of December 31, 2018 is \$48,710,694, of which \$354,601 is classified as net assets under Hope Through Housing and reflected above. The remaining net assets with donor restrictions of \$48,356,093 relates to La Quinta Redevelopment transaction (Note 7), an Extended Affordability Agreement (Note 9) and a Pledge Agreement (Note 10); these amounts are not included in the financial assets above and, accordingly, are not shown as a reduction to the financial assets above.

Financial assets available to meet general expenditures over the next twelve months are not subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. NCRC's goal is generally to maintain financial assets to meet 90 days of operating expenses.

4. Restricted cash

Summary

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. The carrying value of restricted cash approximates fair value because of the short-term maturity of those instruments.

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

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. Restricted cash (continued)

A summary of the restricted cash balances as of December 31, 2018 is as follows:

Operating reserve	\$ 16,704,603
Residual receipts reserves	454,458
Other reserves and escrow	4,453,471
Tax and insurance reserves	2,322,390
Replacement reserves	<u>13,709,722</u>
Total restricted cash	<u>\$ 37,644,644</u>

5. 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 \$51,408 were received during the year ended December 31, 2018, 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, 2018, the investment balance was \$697,815.

Investments include \$6,033,546 paid to acquire the limited partner interests in fifteen Housing Affiliates, of which \$4,500,000 was paid during the year ended December 31, 2018. See Note 18.

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

6. Property, equipment and improvements, net

Property, equipment and improvements consist of the following as of December 31, 2018:

Land	\$ 115,877,415
Buildings and improvements	953,605,148
Furniture, fixtures and equipment	38,715,539
Construction in progress	<u>41,462,375</u>
Subtotal	1,149,660,477
Less: accumulated depreciation	<u>(260,516,670)</u>
Total property, equipment and improvements, net	<u>\$ 889,143,807</u>

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

7. Mortgages and notes payable

Mortgages and notes payable are as follows as of December 31, 2018:

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
Greystone Servicing	NCRC / Arbor Villas Apartments	3.96%	\$ 27,487	11/2049	\$ 5,751,664
Compass Bank (formerly Guaranty Bank)	NCRC / Cathedral Palms	6.50%	5,057	01/2027	380,728
County of Riverside	NCRC / Cathedral Palms	3.00%	948	12/2031	80,110
City of Cathedral	NCRC / Cathedral Palms	0.00%	(6)	(d)	1,000,000
JPMorgan Chase Bank	NCRC / Clark Manor	4.93%	7,833	08/2033	979,443
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	2,452,664
County of Riverside	NCRC / Corona del Rey	3.00%	1,304	07/2028	130,220
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	1,945,000
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	3,160,641
California Housing Finance Agency	SCHD / Monterey Village	7.25%	34,791	10/2026	2,489,461
CalHFA	SCHD / Northgate Village	6.00%	33,444	10/2034	4,095,786
Victorville RDA	SCHD / Northgate Village	3.00%	(1)	12/2035	3,864,812
JPMorgan Chase Bank	NCRC / Rancho Verde	2.75%	21,696	04/2025	1,511,727
JPMorgan Chase Bank	NCRC / Rancho Verde	5.16%	11,206	04/2025	1,958,990
Dept of Housing and Urban Development	NCRC / San Antonio Gateway	0.00%	(3)	03/2066	10,604,000
City of Victorville RDA	NCRC / SGNTR VC, LLC	3.00%	(1)	12/2061	1,394,841
CalHFA	SCHD / Sycamore Springs Apts	7.25%	30,186	09/2026	2,159,975
Commerce West Bank	NCRC / West Mission Partners, LLC	6.87%	3,327	09/2020	306,669
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	3,518,247
City of San Diego	NCRC / Encanto Village TOD	4.00%	(1)	02/2073	4,687,500
San Diego Housing Commission	NCRC / Encanto Village TOD	4.00%	(1)	06/2074	960,000
Bank of America, California, N.A.	NCRC / Encanto Village TOD	0.00%	(3)	08/2073	650,000
Chase San Marcos RDA	NCRC / Villa Serena	0.00%	(3)	(a)	599,495
NCRC	NCRC/Hope Through Access	0.00%	(1)	(c)	2,000,000

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
Citibank AHP	NCRC	0.00%	(3)	09/2071	\$ 680,000
JPMorgan AHP Loan	NCRC	0.00%	(4)	05/2067	500,000
Citibank, CA ASP Sponsor Loan	NCRC	0.00%	(4)	04/2069	480,000
Hudson HT	NCRC	5.00%	(4)	04/2025	1,000,000
Wells Fargo Bank	NCRC	4.23%	(4)	09/2022	2,217,562
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	4,700,000
City of Fairfield	ANF Family Partners II, LP	0.00%	(1)	01/2067	9,311,025
Fairfield HOME Funds	ANF Family Partners II, LP	3.00%	(1)	08/2066	1,679,408
Cal HFA - MHSA	ANF Family Partners II, LP	0.00%	(1)	12/2065	1,193,859
NCRC	ANF Family Partners II, LP	0.00%	(1)	12/2065	959,684
Citibank N.A. - Perm Loan	Avenida Serra Hsg Partners LP	5.48%	2,314	09/2044	420,662
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)	12/2070	3,430,771
NCRC	Avenida Serra Hsg Partners LP	0.00%	(1)	03/2069	730,800
CCRC	Bell Gardens Hsg Partners LP	5.52%	13,186	07/2038	1,891,598
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
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	987,758
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
CA Community Reinvestment Corp	Cathedral Family Hsg Ptrs, LP	7.25%	3,355	03/2028	551,278
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)	07/2066	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	739,874
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
Pacific Western Bank	Cobblestone Apartments, LP	4.00%	(4)	09/2050	2,647,044
City of Escondido	Cobblestone Apartments, LP	2.98%	(6)	08/2073	3,168,027
CA Department of Housing and Community Development	Cobblestone Apartments, LP	3.00%	(6)	03/2058	1,345,219
Escondido Hsg Partners, LP	Cobblestone Apartments, LP	2.95%	(6)	08/2073	191,334
Berkadia Commercial Mort.	Corona de Oro Apts. LP	7.25%	8,784	07/2032	909,222

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
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%	1,499	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	938,085
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	2,114,938
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	507,834
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	1,708,526
NHDC,Tres Lomas	Eagle Rock Hsg Partners, LP	4.45%	(1)	12/2069	692,428
JPMorgan Chase Bank	East Rancho Verde Housing Partners LP	5.13%	8,717	10/2040	1,372,158
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)	03/2065	1,100,000
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	9,159,476
Executive Lodge LP Seller Carryback	Promenade Housing Ptrs, LP	5.00%	(1)	12/2072	1,356,422
CCRC	Escondido Senior Hsg Ptrs, L.P	7.37%	12,460	11/2041	1,656,651
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	1,110,876
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

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
California Community Reinvestment Corp	Fontana II Hsg Ptrs, L.P.	6.75%	8,821	12/2036	\$ 1,071,575
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	1,489,000
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	2,112,380
Fontana Housing Authority	Fontana IV Hsg Ptrs, L.P.	0.25%	(6)	06/2065	6,834,539
U. S. Bank	Inland Valley Hsg Ptrs	5.97%	15,408	08/2038	2,244,427
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	241,908
City of Glendale	LINC-CORE Hsg Ptrs-Glendale, LP	3.00%	(4)	(f)	154,370
City National Bank	LINC-CORE Hsg Ptrs-Glendale, LP	0.00%	(3)	(g)	650,000
City National Bank	LINC-CORE Hsg Ptrs-Glendale, LP	Variable	(4)	04/2020	2,910,159
City of Glendale	LINC-CORE Hsg Ptrs-Glendale, LP	3%	(4)	(f)	7,472,935
Chase	Malvern Housing Partners L.P.	8.06%	2,780	10/2026	193,316
City of Rancho Cucamonga RDA	Malvern Housing Partners L.P.	1.00%	(1)	04/2025	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
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	777,376
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)	10/2072	4,407,778
CalHFA	Mission Cove Family I	0.00%	(1)	10/2072	5,900,000
Wells Fargo Bank (AHP Loan)	Mission Cove Family I	3.00%	(1)	03/2071	943,470
Citi Bank, N.A	Mission Cove Family I	5.54%	4,555	10/2038	656,977
Citibank, N.A. (Construction Loan)	Mission Cove Family I	0.00%	(3)	09/2073	890,000
Citibank, N.A.	Mission Cove Family I	1.00%	(1)	04/2071	1,349,960
US Bank	Mission Village Senior Hsg LP	5.89%	17,893	03/2040	2,617,317

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
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	1,178,090
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	692,391
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	1,989,155
County of Los Angeles - Industry Funds	Normandie Senior Housing Partners, L.P.	3.00%	(1)	03/2065	5,476,654
MuniMae TE Bond Subsidiary, LLC	Oceanside Housing Ptrs, LP	5.75%	23,980	05/2049	4,130,307
City of Oceanside	Oceanside Housing Ptrs, LP	3.00%	(1)	06/2061	6,244,000
State of California HCD	Oceanside Housing Ptrs, LP	3.00%	(1)	05/2064	4,151,008
JPMorgan Chase Bank	Oceanside Senior Hsg Ptrs, LP	5.08%	4,956	10/2038	742,235
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	2,458,443
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%	(5)	01/2066	600,000
Pacific Western Bank	Parkside SD Apartments, LP	4.00%	(4)	07/2037	4,199,753
San Diego Housing Commission	Parkside SD Apartments, LP	3.00%	(1)	11/2056	1,725,528
Bolt Housing Partners, LP - Seller Carryback	Parkside SD Apartments, LP	3.80%	(1)	06/2055	2,699,411
California Community Reinvestment Corp.	Rancho Workforce Housing, L.P.	6.04%	51,996	10/2040	8,279,176
City of Rancho Cucamonga Redevelopment Agency	Rancho Workforce Housing, L.P.	2.39%	(1)	09/2063	25,868,857
Greystone	Renaissance Village Housing Partners, L.P.	5.60%	25,972	01/2035	4,412,848
NCRC	Renaissance Village Housing Partners, L.P.	3.06%	(1)	03/2030	650,812

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
County of San Bernardino	Renaissance Village Housing Partners, L.P.	3.06%	(1)	09/2034	\$ 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%	10,450	10/2019	2,255,000
Home-City	Rialto Housing Partners, LP	3.00%	(1)	01/2054	1,000,000
Berkadia	Richmar Housing Partners LP	5.12%	5,764	09/2049	1,071,393
City of San Marcos	Richmar Housing Partners LP	3.00%	(1)	10/2071	3,397,973
US Bank	Riverside Housing Ptrs, L.P	6.21%	9,779	07/2036	1,271,027
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
US Bank	Santa Fe Springs Hsg Ptrs, LP	5.36%	24,598	04/2034	3,151,407
SFSCDC	Santa Fe Springs Hsg Ptrs, LP	3.00%	(1)	09/2057	1,714,932
LACDC	Santa Fe Springs Hsg Ptrs, LP	3.00%	(1)	03/2032	709,257
HACOLA	Santa Fe Springs Hsg Ptrs, LP	3.00%	(1)	03/2034	752,416
JPMorgan Chase Bank	Santee Apts L.P.	5.95%	12,278	05/2028	1,844,229
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	(7)	07/2019	16,825,239
RDA - City of Yorba Linda	Savi Ranch II Hsg Ptrs, L.P.	3.00%	(1)	06/2072	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
City of Yorba Linda	Savi Ranch II Hsg Ptrs, L.P.	3.00%		06/2072	2,000,000
Citi Ban Mortgage	Savi Ranch Housing Ptrs, LP	5.40%	17,241	07/2033	3,206,707
City of Yorba Linda	Savi Ranch Housing Ptrs, LP	3.00%	(1)	03/2066	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	1,455,934
Agency - County	Spring Valley Housing Partners, LP	3.00%	(1)	02/2057	1,825,000
Citibank, N.A.	SVSM Apartments, LP	Variable	(8)	10/2050	21,748,933
San Marcos Redevelopment Agency	SVSM Apartments, LP	3.00%	(1)	12/2073	5,467,067
Autumn Ridge Apts, LP	SVSM Apartments, LP	0.00%	(1)	(e)	6,609,821
CSCDA	UC Housing Partners, LP	5.60%	23,618	08/2037	3,277,295
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%	41,791	11/2046	10,387,942
City of San Bernardino	Val 9 Housing Partners. LP	3.00%	(1)	09/2071	500,000
Wells Fargo Bank	Val 9 Housing Partners. LP	3.00%	(1)	12/2071	750,000
Housing Authority of San Bernardino	Val 9 Housing Partners. LP	3.00%	(1)	08/2070	810,000

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
County of San Bernardino	Val 9 Housing Partners, LP	3.00%	(1)	03/2070	\$ 1,500,000
US Bank	Victorville Housing Ptrs, L.P.	6.66%	11,689	10/2021	1,368,865
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	1,374,031
San Marcos RDA	Villa Serena Apartments, LP	3.00%	(1)	02/2027	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	7,150,518
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	11,430,386
US Bank National Bank	Vista Dunes Housing Ptrs, L.P.	6.90%	7,788	11/2038	1,004,842
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	3,484,981
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%	35,164	11/2046	8,753,124
City of San Bernardino HOME Funds	Waterman Gardens Ptr 1, L.P.	3.00%	(1)	(b)	734,000
Housing Authority of San Bernardino	Waterman Gardens Ptr 1, L.P.	2.33%	(1)	03/2071	663,000
Housing Authority of San Bernardino	Waterman Gardens Ptr 1, L.P.	0%	(1)	08/2073	762,000
City of Oceanside	Mission Cove Family II	3.00%	(7)	05/2073	4,509,979
City of Oceanside (Ground Lease Loan)	Mission Cove Family II	0.00%	(7)	04/2072	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	9,624,660
Berkadia Commercial Mort.	Westlake Housing Partners, LP	5.87%	3,930	06/2030	668,773
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	1,335,612
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

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
San Bernardino County	Yucca Valley Senior Housing Partners LP	3.00%	(1)	12/2069	\$ 1,622,830
Bonneville Mortgage	Yucca Valley Senior Housing Partners LP	4.21%	3,664	02/2056	826,176
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
JPMorgan Chase Bank	Yorba Linda Housing Ptrs LP	6.07%	29,280	12/2031	4,173,129
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
City of San Diego	NCRC SYSV, LP	3.00%	(g)	12/2035	3,750,000
San Diego Housing Commission	NCRC SYSV, LP	3.00%	(1)	12/2035	570,000
Pacific Western Bank	NCRC SYSV, LP	4.25%	(4)	07/2038	548,222
Citibank	Paseo Del Oro Apartments, LP	3.89%	(4)	10/2050	9,416,924
City of San Marcos	Paseo Del Oro Apartments, LP	3.00%	(1)	12/2073	3,465,670
City of San Marcos – Seller Loan	Paseo Del Oro Apartments, LP	4.50%	(1)	03/2073	4,801,338
County of San Diego	Paseo Del Oro Apartments, LP	5.98%	(3)	03/2073	1,497,051
Subtotal					<u>\$ 716,762,170</u>
Less: intercompany notes eliminated upon consolidation***					<u>(56,852,877)</u>
Consolidated subtotal					659,909,293
Less: unamortized debt issuance costs					<u>(8,531,486)</u>
Mortgages and notes payable, net					<u>\$ 651,377,807</u>

- (a) Maturity Date will be 55 years from completion of construction.
(b) Maturity Date will be 55 years from the Certificate of Occupancy.
(c) Maturity Date will be 15 years from the Certificate of Occupancy.
(d) Maturity Date will be 30 years from the Certificate of Occupancy.
(e) Maturity Date will be 55 years from the later of commencement date or conversion date
(f) Maturity Date will be 55 years from the date of conversion.
(g) Maturity Date will be the end of the retention period (15 years from date of completion)
(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) Payments are deferred for 55 years.
(6) Principal payments are based on residual receipts.
(7) Will be converted into a permanent loan at the end of construction. Loan has been extended.
(8) To be paid down to \$16,750,000 at conversion
** See Note 19 for subsequent events applicable to this loan.
*** Includes intercompany elimination of \$2,000,000 between wholly-owned entities and NCRC

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

7. Mortgages and notes payable, net (continued)

Debt issuance costs are being amortized to interest expense over the term of the loan. For the year ended December 31, 2018, the effective interest rate was 2.97%. During 2018, amortization expense for debt issuance costs was \$704,081.

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 \$2,217,562 as of December 31, 2018. 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 8.

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 of 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, 2018, \$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, 2018, NCRC has a balance of net assets with donor restrictions of \$4,757,248 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 net assets with donor restrictions 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, 2018, \$38,213 of net assets with donor restrictions 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, 2018, NCRC has a balance of net assets with donor restrictions of \$1,678,177 attributable to the forgiveness of advances.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

7. Mortgages and notes payable, net (continued)

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

2019	7,233,733
2020	6,673,085
2021	6,546,865
2022	4,521,097
2023	4,781,420
Thereafter	<u>630,153,093</u>
Total	<u>\$ 659,909,293</u>

8. Fair value – interest rate swap

As discussed in Note 7, 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, 2018 in the amount of \$54,030, 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, 2018, a gain in fair market value of \$16,555 has been realized and is included in other revenue 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, 2018, 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, 2018. The following table presents the financial liability measured at fair value on a recurring basis as of December 31, 2018:

	Level 1	Level 2	Level 3	Fair Value Measurements
Interest rate swap	\$ -	\$ 54,030	\$ -	\$ 54,030

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

9. 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 net assets with donor restrictions 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, 2018, \$429,293 of net assets with donor restrictions were added to net assets without donor restrictions. Amortization in subsequent years will be approximately \$429,300 per year. As of December 31, 2018, NCRC has a balance of net assets with donor restrictions of \$37,787,958 attributable to the extended affordability agreement.

10. 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, 2018, the Redevelopment Agency funded \$363,200 under the Pledge Agreement, which is included in net assets with donor restrictions on the statement of activities. The funding is accounted for as grant income with donor restrictions. As expenditures from the replacement reserves are made, net assets with donor restrictions are released in the same amount. For the year ended December 31, 2018, \$585,997 of net assets with donor restrictions were released into net assets without donor restrictions. As of December 31, 2018, NCRC has a balance of net assets with donor restrictions of \$4,132,715 attributable to the Pledge Agreement grant.

11. 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, 2018, \$443,387 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, 2018, accrued retirement plan payables totaled \$445,759 and is included in accrued expenses on the accompanying consolidated statement of financial position.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

12. 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, 2018, the affiliates received \$845,161 under these agreements, which is included in rental income on the accompanying consolidated statement of activities.

13. 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, 2018, such amounts due are \$2,545,057.

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, 2018, such advances totaled \$4,410,144, 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, 2018.

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.

14. 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, 2018, no amounts were due under this guaranty.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

14. 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, 2018, 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
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, 2018, no amounts were due under these guarantees.

15. Gain on sale of rental property

On March 22, 2018, Autumn Ridge Apartments, LP sold the project for a total purchase price of \$27,311,000 to SVSM Apartments, LP, an affiliate of its general partner. The buyer is a Housing Affiliate. The buyer acquired the building and certain assets and liabilities. A gain on sale of fixed assets of \$15,657,197 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 March 23, 2018, San Marcos Housing Partners, LP sold the project for a total purchase price of \$13,774,000 to Paseo del Oro Apartments, LP, an affiliate of its general partner. The buyer is a Housing Affiliate. The buyer acquired the building and certain assets and liabilities. A gain on sale of fixed assets of \$2,678,374 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, 2018

15. Gain on sale of rental property (continued)

On August 31, 2018, Escondido Housing Partners, LP sold the project for a total purchase price of \$6,080,000 to Cobblestone Apartments, LP, an affiliate of its general partner. The buyer is a Housing Affiliate. The buyer acquired the building and certain assets and liabilities. A gain on sale of fixed assets of \$2,261,855 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 July 7, 2018, Bolt Housing Partners, LP sold the project for a total purchase price of \$5,200,000 to Parkside SD Apartments, LP, an affiliate of its general partner. The buyer is a Housing Affiliate. The buyer acquired the building and certain assets and liabilities. A gain on sale of fixed assets of \$3,285,654 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.

16. 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.

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.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 2018, purchases of fifteen of the Housing Affiliates closed and \$300,000 released from escrow for each. \$4,500,000 is included in investments on the accompanying consolidated statement of financial position. As of December 31, 2018, the ATF Global Settlement escrow balance was \$504,000, which is included in restricted cash on the accompanying consolidated statement of financial position.

19. Subsequent events

Subsequent events have been evaluated through August 7, 2019, which is the date the financial statements were available to be issued. The following are subsequent events requiring disclosure:

On June 10, 2019 NCRC sold the building at 9421 Haven Avenue, Rancho Cucamonga for \$4,600,000 and the mortgage with Wells Fargo was paid off in full.

On April 25, 2019 NCRC sold property at 1125 and 1131 East Holt Blvd and 120 and 126 Virginia Avenue, Ontario for \$2,420,000 to Virginia-Holt Housing, LP, an affiliate.

In May of 2019 NCRC opened an unsecured line of credit with Citizens Business Bank in the amount of \$12,000,000 and subsequently paid off the \$1,000,000 balance and closed the \$5,000,000 line of credit with Wells Fargo. NCRC currently has a \$1,000,000 outstanding balance on the unsecured line of credit with Citizens Business Bank.

SUPPLEMENTARY INFORMATION

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPLEMENTAL SCHEDULE
DECEMBER 31, 2018

	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	\$ 3,863,857	\$ 996,375	\$ 9,136,371	\$ -	\$ 13,996,603	\$ 13,409,234	\$ -	\$ 27,405,837
Reserve for security deposits held in trust	-	-	1,921,014	-	1,921,014	2,119,372	-	4,040,386
Restricted cash	3,675,573	-	16,418,320	-	20,093,893	17,550,751	-	37,644,644
Accounts receivable, net	845,720	32,255	845,078	(260,980)	1,462,073	534,303	(414,214)	1,582,162
Prepaid expense	147,711	7,487	243,889	-	399,087	7,571,564	-	7,970,651
Advance due from affiliates, net	15,913,017	442,876	1,015,376	(7,429,671)	9,941,598	2,230	(2,988,627)	6,955,201
Notes and interest receivable	18,468,156	-	37,601,814	(2,000,000)	54,069,970	1,356,422	(55,426,392)	-
Project development costs receivable	7,780,289	-	-	(6,824,063)	956,226	-	(2,676)	953,550
Developer fee receivable	12,979,389	-	-	(1,136,627)	11,842,762	-	(11,416,714)	426,048
Investments	6,731,361	-	-	-	6,731,361	-	-	6,731,361
Property, equipment and improvements, net	4,161,231	409,913	177,777,233	(1,187,258)	181,161,119	743,593,605	(35,610,917)	889,143,807
Deferred costs, net	-	-	1,709,194	-	1,709,194	1,547,292	-	3,256,486
Total assets	<u>\$ 74,566,304</u>	<u>\$ 1,888,906</u>	<u>\$ 246,668,289</u>	<u>\$ (18,838,599)</u>	<u>\$ 304,284,900</u>	<u>\$ 787,684,773</u>	<u>\$ (105,859,540)</u>	<u>\$ 986,110,133</u>
<u>Liabilities and Net Assets</u>								
Accounts payable	\$ 1,666,840	\$ 42,257	\$ 1,132,401	\$ -	\$ 2,841,498	\$ 21,991,453	\$ -	\$ 24,832,951
Security deposits	-	-	1,844,537	-	1,844,537	2,062,891	-	3,907,428
Accrued expenses	1,003,053	53,339	1,122,846	(312,308)	1,866,930	775,919	(285,954)	2,356,895
Deferred revenue	(16,423)	-	193,890	-	177,467	232,268	-	409,735
Accrued interest	(8,995)	-	22,204,604	-	22,195,609	62,493,942	(997,038)	83,692,513
Mortgages and notes payable, net	6,375,775	-	144,162,915	(2,000,000)	148,538,690	557,691,994	(54,852,877)	651,377,807
Due to affiliates	2,529,266	-	14,737,342	(14,601,034)	2,665,574	8,722,638	(9,770,219)	1,617,993
Developer fee payable	3,261,852	-	727,999	(727,999)	3,261,852	8,988,806	(5,494,459)	6,756,199
Total liabilities	<u>14,811,368</u>	<u>95,596</u>	<u>186,126,534</u>	<u>(17,641,341)</u>	<u>183,392,157</u>	<u>662,959,911</u>	<u>(71,400,547)</u>	<u>774,951,521</u>
Net assets								
Net assets without donor restrictions, controlling	\$ 26,900,114	\$ 1,438,709	\$ 45,040,484	\$ (1,197,258)	\$ 72,182,049	\$ 2,804,265	\$ (44,806,272)	\$ 30,180,042
Net assets without donor restrictions, non-controlling	-	-	-	-	-	121,920,597	10,347,279	132,267,876
Total net assets without donor restrictions	<u>26,900,114</u>	<u>1,438,709</u>	<u>45,040,484</u>	<u>(1,197,258)</u>	<u>72,182,049</u>	<u>124,724,862</u>	<u>(34,458,993)</u>	<u>162,447,918</u>
Net assets with donor restrictions	<u>32,854,822</u>	<u>354,601</u>	<u>15,501,271</u>	<u>-</u>	<u>48,710,694</u>	<u>-</u>	<u>-</u>	<u>48,710,694</u>
Total net assets	<u>59,754,936</u>	<u>1,793,310</u>	<u>60,541,755</u>	<u>(1,197,258)</u>	<u>120,892,743</u>	<u>124,724,862</u>	<u>(34,458,993)</u>	<u>211,158,612</u>
Total liabilities and net assets	<u>\$ 74,566,304</u>	<u>\$ 1,888,906</u>	<u>\$ 246,668,289</u>	<u>\$ (18,838,599)</u>	<u>\$ 304,284,900</u>	<u>\$ 787,684,773</u>	<u>\$ (105,859,540)</u>	<u>\$ 986,110,133</u>

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, 2018

	National Community Renaissance of California	Hope Through Housing	Wholly-Owned	Eliminating Entries	National CORE of California	Housing Affiliates	Net Assets with Donor Restrictions	Eliminating Entries	Total
Revenues and gains									
Rental revenue, net of vacancy	\$ 84,566	\$ -	\$ 27,539,138	\$ -	\$ 27,623,704	\$ 37,092,894	\$ -	\$ -	\$ 64,716,598
Other rental revenue	-	-	-	-	-	1,089,340	-	(19,314)	1,070,026
Consulting, development and partnership fees	11,441,638	1,594,644	-	(3,127,486)	9,908,796	-	-	(1,614,142)	8,294,654
Management fees	4,406,505	-	-	(1,986,894)	2,419,611	-	-	(2,336,390)	83,221
Grants, including release of temporarily restricted net assets	752,264	1,359,986	1,141,716	-	3,253,966	64,494	(851,794)	-	2,466,666
Private donations - Hope Through Housing	-	926,836	-	-	926,836	-	-	-	926,836
Interest income	366,100	-	101,392	(16,894)	450,598	34,204	-	(50,395)	434,407
Gain on sale of property	-	-	3,994,967	-	3,994,967	19,416,686	-	(23,411,653)	-
Cancellation of debt income	-	-	114,428	-	114,428	-	-	-	114,428
Other revenue	6,418,379	210,969	1,502,886	(6,024,000)	2,108,234	3,162,450	-	(411,637)	4,859,047
Total revenues and gains	23,469,452	4,092,435	34,394,527	(11,155,274)	50,801,140	60,860,068	(851,794)	(27,775,469)	82,965,883
Expenses									
General and administrative	2,609,119	\$ 2,227,616	2,112,851	(387,135)	6,562,451	2,759,081	-	(957,794)	8,363,738
Payroll	11,034,737	1,331,977	4,243,060	(7,638)	16,602,136	5,722,139	-	(58,710)	22,265,565
Utilities	66,503	4,521	3,475,466	-	3,546,490	5,202,394	-	-	8,748,884
Taxes and insurance	186,121	39,477	1,815,113	-	2,040,711	2,511,102	-	-	4,551,813
Property management fees	-	-	4,060,352	(3,485,368)	574,984	3,894,581	-	(2,820,982)	1,648,583
Repairs and maintenance	-	7,045	6,007,720	-	6,014,765	5,676,929	-	-	11,691,694
Legal and other professional services	1,015,905	8,950	347,604	-	1,372,459	372,627	-	-	1,745,086
Interest expense	239,835	-	4,246,426	(16,894)	4,469,367	15,132,961	-	(481,346)	19,120,982
Depreciation and amortization expense	323,666	12,427	6,110,462	-	6,446,555	22,046,662	-	-	28,493,217
Other expense	23,484	-	30,666	-	54,150	204,603	-	-	258,753
Total expenses	15,499,370	3,632,013	32,449,720	(3,897,035)	47,684,068	63,523,079	-	(4,318,832)	106,888,315
Increase (decrease) in net assets, without donor restrictions	\$ 7,970,082	\$ 460,422	\$ 1,944,807	\$ (7,258,239)	\$ 3,117,072	\$ (2,663,011)	\$ (851,794)	\$ (23,456,637)	\$ (23,922,432)
Net assets									
Controlling interest									
Without donor restrictions, beginning of year	\$ 19,381,792	\$ 1,027,477	\$ 39,249,881	\$ (1,197,258)	\$ 58,461,892	\$ 2,857,525	\$ -	\$ (21,281,573)	\$ 40,037,844
Net income (loss)	7,518,322	411,232	1,593,963	(7,258,239)	2,265,278	(53,260)	-	(23,456,637)	(21,312,681)
Return of capital	-	-	(7,327,443)	7,258,239	(69,204)	-	-	-	(69,204)
Transfer of limited partner interests	-	-	11,524,083	-	11,524,083	-	-	-	11,524,083
Without donor restrictions, end of year	\$ 26,900,114	\$ 1,438,709	\$ 45,040,484	\$ (1,197,258)	\$ 72,182,049	\$ 2,804,265	\$ -	\$ (44,738,210)	\$ 30,180,042
With donor restrictions, beginning of year	\$ 33,306,582	\$ 403,791	\$ 15,852,115	\$ -	\$ 49,562,488	\$ -	\$ -	\$ -	\$ 49,562,488
Increase in net assets with donor restrictions	-	497,861	339,942	-	837,803	-	-	-	837,803
Release of net assets with donor restrictions	(451,760)	(547,051)	(690,786)	-	(1,689,597)	-	-	-	(1,689,597)
With donor restrictions, end of year	\$ 32,854,822	\$ 354,601	\$ 15,501,271	\$ -	\$ 48,710,694	\$ -	\$ -	\$ -	\$ 48,710,694
Non-controlling interest									
Without donor restrictions, beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,078,871	\$ -	\$ 10,234,233	\$ 99,313,104
Contributions	-	-	-	-	-	48,883,418	-	-	48,883,418
Reclassification of contribution	-	-	-	-	-	(1,527,152)	-	-	(1,527,152)
Distributions	-	-	-	-	-	(380,706)	-	113,046	(267,660)
Net income (loss)	-	-	-	-	-	(2,609,751)	-	-	(2,609,751)
Transfer of limited partner interests	-	-	-	-	-	(11,524,083)	-	-	(11,524,083)
Without donor restrictions, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,920,597	\$ -	\$ 10,347,279	\$ 132,267,876

see report of independent auditors

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2018

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	\$ 988,362
			<hr/>
Total expenditures of federal awards			<u>\$ 988,362</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, 2018

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, 2018. 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 2018	Prior year loans with continuing compliance requirements	Total outstanding loans December 31, 2018
14.239	HOME Investment Partnerships Program	\$ 0	\$ 967,975	\$ 967,975

No. HOME units	Project	Pass-through entity	CFDA Number	Outstanding Balance as of 12/31/2018
		Long Beach Affordable Housing Coalition, Inc.		
11	Clark		14.239	\$ 550,000
13	Hawthorne	City of Hawthorne	14.239	207,645
11	Cathedral Palms	County of Riverside	14.239	80,110
11	Corona del Rey	County of Riverside	14.239	130,220
		Total of HOME Investments Partnership Program		<u>\$ 967,975</u>
46				

See report of independent auditors



**NOVOGRADAC
& COMPANY** LLP®

CERTIFIED PUBLIC ACCOUNTANTS

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, 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, 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 August 7, 2019.

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
August 7, 2019



**NOVOGRADAC
& COMPANY** LLP®
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018. 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, 2018.

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.

Novogradac & Company LLP

Walnut Creek, California
August 7, 2019

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	_____ Yes	<u> x </u> No	
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	<u> x </u> None reported	
Type of auditor's report issued on compliance for major programs:	Unqualified		
Audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ Yes	<u> x </u> 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:	<u> \$750,000 </u>
--	----------------------

Auditee qualified as low-risk auditee?	<u> x </u> Yes	<u> </u> No
--	------------------	----------------------

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND RECOMMENDATIONS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018

There were no prior year audit findings.