

**VENTURA COUNTY HOUSING TRUST FUND**  
**(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**  
**FINANCIAL STATEMENTS**  
**AND**  
**AUDITORS' REPORT**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**VENTURA COUNTY HOUSING TRUST FUND  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**Independent Auditors' Report**

To the Board of Directors  
Ventura County Housing Trust Fund  
(A California Nonprofit Public Benefit Corporation)  
360 Mobil Avenue, Suite 213A  
Camarillo, CA 93010

***Report on the Financial Statements***

We have audited the accompanying statements of financial position of Ventura County Housing Trust Fund ("VCHTF") (A California Nonprofit Public Benefit Corporation) as of December 31, 2017 and 2016, and the related statements of activities, functional expenditures and cash flows for the years then ended, and the related notes to financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VCHTF as of December 31, 2017 and 2016, and the results of its activities, changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "F&A Associates LLP". The signature is fluid and cursive, with the letters "F" and "A" being particularly prominent and stylized.

Reseda, California  
May 30, 2018

**VENTURA COUNTY HOUSING TRUST FUND**  
**(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b><u>Current assets</u></b>		
Cash and cash equivalents	\$ 1,991,427	\$ 626,173
Pledges and grants receivable	<u>6,000</u>	<u>350</u>
Total current assets	1,997,427	626,523
<b><u>Restricted cash</u></b>		
Restricted use account	444,007	595,882
Loan loss reserve	51,578	39,000
Operating reserve	<u>45,000</u>	<u>45,000</u>
Total restricted cash	540,585	679,882
<b><u>Other assets</u></b>		
Loans receivable	1,719,257	1,165,000
State of CA HCD Prop 1c grants	-	905,900
Security and other deposits	<u>-</u>	<u>400</u>
Total other assets	1,719,257	2,071,300
<b>TOTAL ASSETS</b>	<b>\$ <u><u>4,257,269</u></u></b>	<b>\$ <u><u>3,377,705</u></u></b>

The accompanying notes are an integral part of the financial statements.

**VENTURA COUNTY HOUSING TRUST FUND**  
**(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**LIABILITIES AND NET ASSETS**

	<u>2017</u>	<u>2016</u>
<b><u>Current liabilities</u></b>		
Accounts payable and accrued liabilities	\$ 7,192	\$ 1,264
Total current liabilities	<u>7,192</u>	<u>1,264</u>
<b><u>Long-term debt</u></b>		
Notes payable	850,000	350,000
Deferred revenue	-	905,900
Total current liabilities	<u>850,000</u>	<u>1,255,900</u>
Total liabilities	<u>857,192</u>	<u>1,257,164</u>
<b><u>Net assets</u></b>		
Temporarily restricted	2,949,516	1,874,103
Unrestricted	<u>450,561</u>	<u>246,438</u>
Total net assets	<u>3,400,077</u>	<u>2,120,541</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>4,257,269</u></b>	<b>\$ <u>3,377,705</u></b>

The accompanying notes are an integral part of the financial statements.

**VENTURA COUNTY HOUSING TRUST FUND**  
**(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**CHANGES IN NET ASSETS**

	<u>2017</u>	<u>2016</u>
<b><u>Revenues and other support</u></b>		
Government grants	\$ 195,473	\$ 11,001
Other grants	40,281	7,509
Loan origination and documentation fees	12,625	7,750
Application fees	1,750	1,000
Loan interest income	49,370	37,710
Bank account interest income	5,407	3,804
Fundraising events	67,050	39,304
Total revenues	<u>371,956</u>	<u>108,078</u>
<b><u>Expenditures</u></b>		
Program services	134,028	125,760
Fundraising	36,792	19,325
Total expenditures	<u>170,820</u>	<u>145,085</u>
<b><u>(Decrease) increase in unrestricted net assets</u></b>	<u>\$ 201,136</u>	<u>\$ (37,007)</u>
<b><u>Temporarily restricted net assets</u></b>		
Grants and contracts	\$ 1,068,400	\$ 150,000
Other grants	10,000	-
Change in temporarily restricted net assets	<u>\$ 1,078,400</u>	<u>\$ 150,000</u>
Net assets, end of the year	<u>\$ 3,400,077</u>	<u>\$ 2,120,541</u>

The accompanying notes are an integral part of the financial statements.

**VENTURA COUNTY HOUSING TRUST FUND**  
**(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**  
**STATEMENTS OF FUNCTIONAL EXPENDITURES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Program	Fund	2017	Program	Fund	2016
	<u>Services</u>	<u>Raising</u>	<u>Total</u>	<u>Services</u>	<u>Raising</u>	<u>Total</u>
<b><u>EXPENDITURES</u></b>						
Accounting/bookkeeping	\$ 4,055	\$ -	\$ 4,055	\$ 3,891	\$ -	\$ 3,891
Administrative salary	11,523	11,523	23,046	1,885	17,488	19,373
Bank charges	979	-	979	230	-	230
Board/staff training	174	-	174	122	-	122
Board meetings	6,113	14	6,127	3,449	-	3,449
Consulting	4,007	-	4,007	11,001	-	11,001
Director's expenses	44	-	44	-	-	-
E-Doc express fee	1,213	-	1,213	1,250	-	1,250
Insurance	1,255	-	1,255	1,214	-	1,214
Loan invoicing fees	-	-	-	775	-	775
Marketing	530	2,500	3,030	1,731	-	1,731
Management fees	36,199	9,049	45,248	87,438	-	87,438
McCune Foundation interest	2,000	-	2,000	2,504	-	2,504
Membership dues	185	-	185	285	-	285
Miscellaneous	535	-	535	-	33	33
Occupancy	1,400	-	1,400	1,680	-	1,680
Office expenses	933	178	1,111	381	-	381
Other salaries	46,666	11,667	58,333	-	-	-
Pacific Western Bank interest	1,397	-	1,397	-	-	-
Paypal fees	-	172	172	2	229	231
Payroll processing fee	365	-	365	321	-	321
Payroll taxes and expenses	6,942	-	6,942	1,741	-	1,741
Postage	47	60	107	20	15	35
Printing and copying	178	189	367	195	120	315
Rabobank, N.A. - interest	5,000	-	5,000	5,000	-	5,000
Software	-	1,440	1,440	-	1,440	1,440
Telephone/internet	1,652	-	1,652	645	-	645
Workers' compensation	636	-	636	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 134,028</b>	<b>\$ 36,792</b>	<b>\$ 170,820</b>	<b>\$ 125,760</b>	<b>\$ 19,325</b>	<b>\$ 145,085</b>

The accompanying notes are an integral part of the financial statements.



**VENTURA COUNTY HOUSING TRUST FUND**  
**(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>Cash flows from operating activities</u></b>		
Increase in net assets	\$ 1,279,536	\$ 112,993
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Decrease (increase) in operating assets:		
Loans receivable	(554,257)	(365,000)
Pledges and grants receivable	(5,650)	2,642
Security and other deposits	400	(300)
State of CA HCD Prop 1c grants	905,900	150,000
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	5,928	(433)
Net provided by (used in) operating activities	<u>1,631,857</u>	<u>(100,098)</u>
<b><u>Cash flows from investing activities</u></b>		
Net withdrawals from restricted use accounts	151,875	165,882
Net deposits to escrow funds	-	300,000
Net cash provided by investing activities	<u>139,297</u>	<u>465,882</u>
<b><u>Cash flows from financing activities</u></b>		
Changes in deferred revenue	(905,900)	(300,000)
Proceeds from notes payable	500,000	-
Net cash used in financing activities	<u>(405,900)</u>	<u>(300,000)</u>
Net increase in cash and cash equivalents	1,365,254	65,784
Cash and cash equivalents at the beginning of the year	<u>626,173</u>	<u>560,389</u>
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT END OF YEAR</b>	<b>\$ <u><u>1,991,427</u></u></b>	<b>\$ <u><u>626,173</u></u></b>

The accompanying notes are an integral part of the financial statements.

**VENTURA COUNTY HOUSING TRUST FUND  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**Note 1 - Organization and Nature of Operations**

Ventura County Housing Trust Fund (“VCHTF”), a California nonprofit public benefit corporation, was originally incorporated on August 25, 2011. VCHTF’s mission is to support more housing choices, by generating and leveraging financial resources, working in partnership with the public, private and non-profit sectors throughout Ventura County.

VCHTF’s primary program is a revolving loan fund to be used for pre-development costs attributable to developing affordable housing. The revolving loan fund is comprised of public, private and charitable funds. Through an open, year-round application process for-profit and non-profit developers may apply for loans to fill gaps in predevelopment, acquisition/rehabilitation and construction loans for new affordable housing projects in Ventura County. Revolving loan funds are obtained through a number of sources: local government contributions (cities of Camarillo, Fillmore, Moorpark, Oxnard, Port Hueneme, Santa Paula, Simi Valley, Thousand Oaks, Ventura and the County of Ventura have all made substantial donations), State of California, Proposition 1C Local Housing Trust Fund Matching Grant funds, Corporate Grants, private charitable grants and individual donations. Additional Revolving Loans Funds are obtained through below-market interest rate CRA-type loans from financial institutions and foundations (Note 6).

**Note 2 - Summary of Significant Accounting Policies**

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

**Basis of Accounting**

VCHTF prepares its financial statements on the accrual basis of accounting in accordance with the American Institute of Certified Public Accountants’ Audit and Accounting Guide, *Not-for-Profit Organizations*. Revenue and related assets are recognized when earned and expenses are recognized when the related obligations are incurred. VCHTF identified the costs to be charged to the appropriate funding sources.

**Basis of Presentation**

Net assets, support and revenues are classified based on the absence or existence and nature of donor-imposed restrictions, as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

**VENTURA COUNTY HOUSING TRUST FUND**  
**(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**Note 2 - Summary of Significant Accounting Policies** (Continued)

**Basis of Presentation** (Continued)

- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions by VCHTF pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are maintained permanently by VCHTF. Generally, the donors of such assets permit VCHTF to use all or part of the income earned on the assets.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

There were no permanently restricted net assets during the years 2017 and 2016.

**Revenue Recognition**

Revenue recognition depends on the specifics of the grant award agreements. Interest income is recognized when earned. Grants and contributions are recognized as revenues in the period received.

**Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as temporarily restricted support, and result in a correlated increase within that related net asset class.

Donated services that create or enhance non financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation would be reported as In-Kind Donations on the accompanying statements of activities. During 2017 and 2016 zero and zero, respectively, of in-kind donations were made.

**VENTURA COUNTY HOUSING TRUST FUND  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**Note 2 - Summary of Significant Accounting Policies** (Continued)

**Functional Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying Statements of Activities and Statements of functional expenditures. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates of employees' time incurred and on usage of resources.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, VCHTF considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash equivalents. Cash is defined as cash in demand deposit accounts, as well as cash on hand. Not included as cash are funds restricted as to their use, regardless of liquidity.

**Concentration of Credit Risk**

VCHTF maintains its cash and cash equivalents in various bank accounts which, at times, may exceed federally insured limits. VCHTF has not experienced any losses in such accounts. The management of VCHTF believes it is not exposed to any significant credit risk on the balances in these deposit accounts.

**Concentration of Business Risk**

VCHTF's grants and accounts receivables are primarily due from grantor agencies and contractual obligations. Concentrations of business risk with respect to these receivables, is limited due to the ability of grantor agencies or contractual obligators' to make payments. VCHTF's management did not believe significant business risk existed as of December 31, 2017.

**Income Taxes**

VCHTF is a nonprofit organization incorporated under the laws of the state of California. It has been granted tax exempt status by the Internal Revenue Service under Internal Revenue Code Section 501(c)(3) and the related California Revenue and Taxation Code Section 23701(d); accordingly, no provision for federal income or California franchise taxes have been recognized, or included in the accompanying financial statements (with the exception of the \$10 minimum tax payable to California).

**VENTURA COUNTY HOUSING TRUST FUND  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**Note 2 - Summary of Significant Accounting Policies** (Continued)

**Use of Estimates**

The preparation of financial statements in conformity with the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Not-for-Profit Organizations*, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

Management has evaluated subsequent events through May 30, 2018, the date on which the financial statements were available to be issued and determined there were no subsequent events requiring disclosure.

**Note 3 – Loans Receivable**

The composition of loans receivable is as follows:

	<u>2017</u>	<u>2016</u>
Citricos – Santa Paula Housing Authority	\$ 300,000	\$ 300,000
Oakwood Court - Santa Paula Housing Authority	44,257	250,000
First & Hayes – Habitat for Humanity	250,000	-
Single Family de Minimus – Housing Authority of the City of San Buenaventura	-	115,000
Walnut Street – Area Housing Authority of the County of Ventura/Many Mansions	<u>1,125,000</u>	<u>500,000</u>
Total loans receivable	\$ <u>1,719,257</u>	\$ <u>1,165,000</u>

**VENTURA COUNTY HOUSING TRUST FUND**  
**(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**Note 4 – State of California HCD Proposition 1C Grant**

The composition of State of California HCD Proposition 1C Grant is as follows:

	2017	2016
Matched funds	\$ 2,000,000	\$ 2,000,000
Unmatched funds	-	-
Project funded – Distressed Prop	(140,000)	(140,000)
Project funded – Citrus Grove	(300,000)	(300,000)
Project funded – Vince Street	(129,100)	(129,100)
Project funded – Camino Esperanza	(250,000)	(250,000)
Project funded – Oakwood Court	(125,000)	(125,000)
Project funded - Walnut Street	(905,900)	-
Project funded – Funds in transit	(150,000)	(150,000)
Total State of CA HCD Prop 1C grant *	\$ -	\$ 905,900

\*The total State of California HCD Prop 1C grant represents the balance of deferred revenue as reported on the accompanying statements of financial position.

**Note 5 – Restricted Cash**

**Restricted Funds**

Restricted funds represent designated and restricted cash deposits to be withdrawn only for advances as to qualifying loan receivable activities being conducted by VCHTF. In some instances a certain percentage of these restricted funds are allowed to cover administrative costs, which are specifically attributable to lending activities.

**Loan Loss Reserve and Operating Reserve**

The Loan Loss Reserve and Operating Reserve are Board designated reserves established to fund the non-collectability of certain loan issues, as well provide for funds to cover operating deficits as they arise, respectively. The Loan Loss Reserve is to be funded at 3% of the outstanding loan receivables. The Operating Reserve is to be funded to adequately cover 3 months of average operating expenses. As of December 31, 2017 and 2016, the Loan Loss Reserve and Operating Reserve had been properly funded, respectively.

**VENTURA COUNTY HOUSING TRUST FUND**  
**(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**Note 5 – Restricted Cash** (Continued)

**HCD Loan Funds**

The California Department of Housing and Community Development (HCD) funds represent designated and restricted cash deposits to be withdrawn only for advances as to qualifying State of California HCD Proposition 1C lending activities being conducted by VCHTF.

\*Note: Once originally underwritten HCD funded loans are repaid, the repayment funds are effectively converted unrestricted funds. However, pursuant to the HCD funding terms and restrictions a percentage must be returned to the Revolving Loan Fund.

The following reflects the balances in the reserve accounts as of December 31, 2017 and 2016.

	January 1, 2017	Additions	Interest	Withdrawals	December 31, 2017
Restricted Funds	\$ 145,852	\$ 350,000	\$ 655	\$ (52,500)	\$ 444,007
CD - Montecito	450,030	-	-	(450,030)	-
Loan loss reserves	39,000	-	-	-	39,000
Operating reserves	45,000	-	-	-	45,000
Escrow funds	-	-	-	-	-
Total reserves	<u>\$ 679,882</u>	<u>\$ 350,000</u>	<u>\$ 655</u>	<u>\$ (502,530)</u>	<u>\$ 528,007</u>

  

	January 1, 2016	Additions	Interest	Withdrawals	December 31, 2016
Restricted Funds	\$ 761,764	\$ 15	\$ 539	\$ (616,466)	\$ 145,852
CD - Montecito	-	450,000	30	-	450,030
Loan loss reserves	39,000	-	-	-	39,000
Operating reserves	45,000	-	-	-	45,000
Escrow funds	300,000	-	-	(300,000)	-
Total reserves	<u>\$ 1,145,764</u>	<u>\$ 450,015</u>	<u>\$ 569</u>	<u>\$ (916,466)</u>	<u>\$ 679,882</u>

**VENTURA COUNTY HOUSING TRUST FUND**  
**(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**Note 6 – Loans Payable**

	<u>2017</u>	<u>2016</u>
<b><u>McCune Foundation Loan</u></b>		
\$100,000, unsecured loan, bearing interest at a rate of 2.00% per annum. Simple interest only is payable quarterly. The principal and unpaid interest are originally due on July 31, 2019. A modification option to extend the maturity through July 31, 2024 can be exercised.	\$ 100,000	\$ 100,000
<b><u>Pacific Western Bank Loan</u></b>		
\$500,000 unsecured loan, bearing interest at a rate of 3.00% per annum. Simple interest only is payable quarterly. The principal and unpaid interest are originally due on November 27, 2022. A modification option to extend the maturity through November 27, 2027 can be exercised.	500,000	-
<b><u>Rabobank, N.A. (EO2 Loans)</u></b>		
\$250,000, unsecured loan, bearing interest at a rate of 2.00% per annum. Simple interest only is payable quarterly. The principal and unpaid interest are due originally due on May 9, 2019. A modification option to extend the maturity through May 9, 2024 can be exercised.	\$ 250,000	\$ 250,000
Total loans payable	\$ 850,000	\$ 350,000