HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Financial Statements
(With Independent Auditor's Report)

December 31, 2015

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

December 31, 2015

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LEVITT & ROSENBLUM
CERTIFIED PUBLIC ACCOUNTANTS
10801 National Blvd., Suite 604
Los Angeles, California 90064

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Hollywood Community Housing Corporation:

We have audited the accompanying consolidated financial statements of Hollywood Community Housing Corporation, a nonprofit California corporation, and Affiliates (collectively the Organization), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain controlled partnerships, which statements reflect total combined assets of $80,028,136 as of December 31, 2015 and total revenues of $3,229,154 for the year ended December 31, 2015. Those statements were audited by other auditors, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for those controlled partnerships, is based solely on the reports of the other auditors. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hollywood Community Housing Corporation and Affiliates as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements referred to in the first paragraph taken as a whole. The accompanying information in Schedules 1, 2 and 3 is presented for the purposes of additional analysis and are not a required part of the above consolidated financial statements. Such information has been subjected to the procedures applied in the audit of the consolidated financial statements referred to above and, in our opinion is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Levitt & Rosenblum

Los Angeles, California
August 30, 2016

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Financial Position

December 31, 2015

ASSETS

Cash and equivalents	$ 808,887
Restricted cash reserves (note 6)	421,217
Accounts receivable	180,478
Prepaid expenses	32,109
Property, at cost (note 2)	
Land and improvements	549,053
Buildings and improvements	4,052,375
Leasehold improvements	305,956
Equipment and furniture	711,359
Real estate under development (note 5)	15,273,667
Less: accumulated depreciation	1,583,229
Net Property	19,309,181
Intangible costs, net of accumulated amortization (notes 2 and 7)	5,576
Deposits	15,258
Real estate and other assets held in controlled limited partnerships and other entities (note 9)	130,986,816
Total Assets	$ 151,759,522

LIABILITIES AND NET ASSETS

Accounts payable	$ 79,696
Real estate development costs payable	55,192
Prepaid rent	761
Accrued vacation	53,887
Notes payable (notes 11 and 15)	16,755,611
Accrued interest payable (note 11)	871,508
Tenant security deposits	13,658
Notes payable and other liabilities held in controlled limited partnerships and other entities (note 9)	109,953,512
Commitments and contingencies (note 15)	
Total Liabilities	127,783,825
Net Assets:	
Unrestricted	2,484,271
Unrestricted, controlling interest in limited partnerships and other entities	(254,053)
Unrestricted, non-controlling interest in limited partnerships (note 2)	21,653,018
Total unrestricted net assets	23,883,236
Temporarily restricted net assets (note 8)	92,461
Total Net Assets	23,975,697
Total Liabilities and Net Assets	$ 151,759,522

See accompanying notes to consolidated financial statements.

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Activities

Year ended December 31, 2015

Changes in unrestricted net assets:	
Revenues and Support:	
Contributions	$ 308,879
Government contracts	283,692
Project developer fees	669,076
Project management fees	75,530
Rental income	489,016
Laundry and vending machines	165,574
Cancellation of indebtedness	566,057
Investment income	401
Income from controlled limited partnerships and other entities (note 9)	6,655,913
Total unrestricted revenue	9,214,138
Net assets released from restrictions:	
Satisfaction of program restrictions	84,712
Total unrestricted revenue and support	9,298,850
Expenses:	
Salaries	1,225,572
Employee benefits and taxes	194,634
Social service and education	47,883
Consultants	59,250
Office and administration	88,106
Legal and professional	38,136
Fundraising and outreach	74,520
Property tax and insurance	144,932
Maintenance and repairs	142,678
Property and asset management fees	11,742
Utilities	115,444
Interest	56,841
Expenses from controlled limited partnerships and other entities (note 9)	7,122,712
Expenses before depreciation and amortization	9,322,450
Depreciation and amortization	3,927,431
Total expenses	13,249,881
Decrease in unrestricted net assets	(3,951,031)
Change in temporarily restricted net assets:	
Contributions	27,960
Net assets released from restrictions	(84,712)
Decrease in temporarily restricted net assets	(56,752)
Decrease in net assets	$ (4,007,783)
Change in net assets attributable to non-controlling interest	$ (3,533,649)
Change in net assets attributable to controlling interest	(474,134)
	$ (4,007,783)

See accompanying notes to consolidated financial statements.

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Changes in Net Assets

Year ended December 31, 2015

Changes in Net Assets:

Net assets, unrestricted at January 1, 2015	$	27,899,495
Changes in unrestricted net assets		(3,951,031)
Partnership distributions		(6,793)
Syndication costs		(58,435)
Net assets, unrestricted at December 31, 2015	$	23,883,236
Net assets, temporarily restricted at January 1, 2015	$	149,213
Changes in temporarily restricted net assets		(56,752)
Net assets, temporarily restricted at December 31, 2015	$	92,461
Total net assets at December 31, 2015	$	23,975,697

See accompanying notes to consolidated financial statements.

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidated Statement of Cash Flows

Year ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (4,007,783)
Adjustments to reconcile change in net assets to cash flow from operating activities:	
Depreciation expense and amortization expense	3,927,431
Prepaid investor service fee	2,506
Cancellation of indebtedness	(889,057)
Unrealized gain on interest rate swap	(21,688)
(Increase) decrease in operating assets:	
Tenant security deposits	(40,898)
Grants receivable	35,000
Accounts receivable	(9,601)
Prepaid expenses	39,611
Advances to projects	47,785
Developer fee receivable	(315,988)
Deposits	4,573
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	22,082
Prepaid rent	(37,102)
Accrued interest payable	1,879,179
Tenant security deposits	31,916
Net cash provided by operating activities	667,966
CASH FLOWS FROM INVESTING ACTIVITIES:	
Payment for property and other reserves	(952,939)
Payment for equipment and furniture	(35,222)
Payment for land and building	(5,230,287)
Payment for real estate under development	(4,592,646)
Net cash used in investing activities	(10,811,094)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payment of project advances	(65,867)
Partner distributions	(6,793)
Repayment of notes payable	(994,634)
Proceeds from notes payable	11,021,851
Net cash provided by financing activities	9,954,557
Net decrease in cash	(188,571)
Cash, beginning	1,903,949
Total consolidated cash	1,715,378
Less: cash held in controlled limited partnerships	(906,491)
Cash, ending	$ 808,887
Supplemental noncash investing and financing activities:	
Additional costs of rental property from capitalized interest accrual and construction costs payable	$ 1,209,770
Supplemental disclosure of cash flow information:	
cash paid for interest, net of amounts capitalized	$ 508,899

See accompanying notes to consolidated financial statements.

(1) Purpose and Activities

Hollywood Community Housing Corporation (HCHC) is a community based nonprofit California corporation organized for the purpose of providing affordable housing for low-income people. This is accomplished through acquisition, construction, rehabilitation and operations of residential properties in a manner that enhances existing neighborhoods. Most properties acquired are eventually syndicated as low-income housing partnerships with HCHC owning a one-percent or less interest as the general partner, while some properties eventually become HUD housing projects with HCHC as the sponsoring organization. HCHC's Affiliates are comprised of Affordable Housing Entities described in note 2.

HCHC Laundry, LLC (HCHC Laundry) was formed for the purpose of owning, constructing and operating a neighborhood laundry facility located in one of HCHC's affordable housing developments. HCHC Laundry, LLC is a single member LLC, with HCHC as its single member. Build out of the facility was completed and operations commenced in February, 2011.

Hollywood Housing Holdings, LLC (HHH) is a California limited liability company (comprised of HCHC as the LLC's single member) organized for the purpose of assisting HCHC in the development and management of low-income housing properties located primarily in the greater Hollywood, California area.

Collectively, HCHC Laundry, HHH, and HCHC and its Affiliates shall be referred to as the Organization.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America And include the accounts of the Organization and investments in limited partnerships and limited liability companies. Accordingly, income is recognized as earned and expenses incurred, regardless of timing of payments. The non-controlling interests in the consolidated limited partnerships are shown separately in the components of net assets.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of HCHC, HCHC Laundry LLC, Hollywood Housing Holdings LLC, plus twenty-four affordable housing entities (Affordable Housing Affiliates), described below. These Affordable Housing Affiliates are included in the consolidation in accordance with United States generally accepted accounting principles (GAAP) which require consolidation of the all such entities which are deemed to be controlled by HCHC. All significant inter-company accounts and material transactions have been eliminated in consolidation.

The following is a summary of Affordable Housing Affiliates and the consolidated ownership information as of December 31, 2015.

Affordable Housing Affiliates	Owner Interest
Argyle Community L.P.	100.00%
Carlton Way Apartments L.P.	100.00%
Dunning Apartments Partnership, L.P.	100.00%
HCHC Recap I, LLC	100.00%

(2) Summary of Significant Accounting Policies, Continued

Affordable Housing Entities, continued	Owner Interest
HCHC Recap I, L.P.	100.00%
Selma-Hudson Community, L.P.	100.00%
St. Andrew's Community L.P.	100.00%
Wilcox Apartments, L.P.	100.00%
Step Up on Colorado, LLC	50.00%
Step Up on Vine LLC	50.00%
Alexandria House Apartments, L.P.	.0051%
Barnsdall Court, L.P.	.10%
Harold Way Apartments, L.P.	.01%
Hollywood Bungalow Courts, L.P.	.01%
Innes Heights, L.P.	.01%
Kenmore Apartments, L.P.	.01%
Mariposa Place Apartments, L.P.	.01%
Mirada Terrace Apartments, L.P.	.01%
Palomar Apartments, L.P.	.01%
Step Up on Colorado, L.P.	.005%
Step Up on Vine, L.P.	.005%
Views at 270, L.P.	.01%
Allesandro Housing 811-01 (Allesandro)	
Hollywood Housing 811-97- Waterloo Heights Apts (Waterloo)	

Allesandro and Waterloo are HUD Section 811 projects and are consolidated because HCHC has both an economic interest and control of the organizations through a majority voting interest in their governing boards.

Affordable Housing Affiliates, description:

Argyle Community Limited Partnership is a California limited partnership. The initial Partnership was formed on April 23, 1993, for the purpose of developing and operating a 21 unit low-income rental housing project located in Los Angeles, California. Development of the property was completed and rental operations began in May, 1995. Regulatory agreements entered into with the California Tax Credit Allocation Committee and the City of Los Angeles restrict the use of this property as low-income housing. The Partnership's General Partner is HCHC, and the Limited Partner is Hollywood Housing Holdings, LLC.

Carlton Way Apartments Limited Partnership is a California limited partnership. The initial Partnership was formed on August 21, 1992 for the purpose of developing and operating a 24 unit low-income rental housing project located in Los Angeles, California. Development of the property was completed and rental operations began in October, 1994. Regulatory agreements entered into with the California Tax Credit Allocation Committee and the City of Los Angeles restricts the use of this property as low-income housing. The Partnership's General Partner is HCHC, and the Limited Partner is Hollywood Housing Holdings, LLC.

Dunning Apartments Partnership, L.P. is a California limited partnership. The initial Partnership was formed on July 25, 1989, for the purpose of developing and operating a 26 unit low-income rental housing project located in Los Angeles, California. Development of the property was completed and rental operations began in November, 1992. Regulatory agreements entered into with the California Tax Credit Allocation Committee and the City of Los Angeles restrict the use of this property as low-income housing. The Partnership's General Partner is HCHC, and the Limited Partner is Hollywood Housing Holdings, LLC.

(2) Summary of Significant Accounting Policies, Continued

HCHC Recap I, LLC, a California limited liability company comprised of HCHC as the LLC's single member organized for the purpose of assisting HCHC in the development and management of low-income housing property located in Los Angeles, California.

HCHC Recap I, LP, a California limited partnership. The initial Partnership was formed on July 7, 2015, for the purpose of acquiring, rehabilitating and operating a 68 unit low-income rental housing project located in Los Angeles, California. The Partnership's General Partner is HCHC, and the Limited Partner is Hollywood Housing Holdings, LLC.

Selma-Hudson Community Limited Partnership is a California limited partnership. The initial Partnership was formed on September 30, 1994, for the purpose of developing and operating a 30-unit low-income rental housing project located in Hollywood, California. Development of the property was completed and rental operations began in June, 2000. Regulatory agreements entered into with the California Tax Credit Allocation Committee and the City of Los Angeles restricts the use of this property as low-income housing. The Partnership's General Partner is HCHC, and the Limited Partner is Hollywood Housing Holdings, LLC.

St. Andrew's Community Limited Partnership is a California limited partnership. The initial Partnership was formed on November 24, 1992, for the purpose of developing and operating a 16 unit low-income rental housing project located in Hollywood, California. Development of the property was completed and rental operations began in December, 1995. Regulatory agreements entered into with the California Tax Credit Allocation Committee and the City of Los Angeles restrict the use of this property as low-income housing. The Partnership's General Partner is HCHC, and the Limited Partner is Hollywood Housing Holdings, LLC.

The Wilcox Apartments, L.P., is a California limited partnership. The initial Partnership was formed on May 1, 1997, for the purpose of developing and operating a 23 unit low-income rental housing project located in Los Angeles, California. Development of the property was completed and rental operations began in August, 1998. Regulatory agreements entered into with the California Tax Credit Allocation Committee and the City of Los Angeles restrict the use of this property as low-income housing. The General Partner is the Hollywood Community Housing Corporation, and the Limited Partner is Hollywood Housing Holdings, LLC.

Step Up on Colorado, LLC, a California limited liability company comprised of Hollywood Community Housing Corporation and Step Up on Second Street, Inc., both California nonprofit corporations. The LLC was organized for the purpose of assisting in the development and management of low-income housing property located in Santa Monica, California.

Step Up on Vine, LLC, a California limited liability company comprised of Hollywood Community Housing Corporation and Step Up on Second Street, Inc., both California nonprofit corporations. The LLC was organized for the purpose of assisting in the development and management of low-income housing property located in Los Angeles, California.

Alexandria House Apartments, L.P., is a California limited partnership which was initially formed in June, 2006, for the purpose of developing and operating a 16 unit low-income rental housing project located in the City of Hollywood, California. Development of the property was completed and rental operations began June, 2009. Regulatory agreements entered into with the City of Los Angeles and the California Tax Credit Allocation Committee restrict the use of this property as low-income housing. The General Partner is Alexandria House Apartments, LLC, a California limited liability company comprised of Hollywood Community Housing Corporation and Alexandria House, both California non-profit corporations, and the Limited Partner is Enterprise Housing Partners XVIII, a Maryland limited partnership.

(2) Summary of Significant Accounting Policies, Continued

Barnsdall Court Limited Partnership is a California limited partnership which was initially formed in December 1997. The Partnership owns and manages a 38 unit apartment project in Los Angeles, California consisting of affordable rental housing. The Project was placed in service in December 1999. The Partnership entered into regulatory agreements with the California Tax Credit Allocation Committee and the City of Los Angeles which govern the ownership, occupancy, management, maintenance and operations of the Project. The General Partner is Hollywood Community Housing Corporation, and the Limited Partner is Edison Capital Housing Partners XI L.P., a Delaware limited partnership

Harold Apartments, L.P., is a California limited partnership. The initial Partnership was formed in August, 2000 for the purpose of developing and operating a 51 unit low-income rental housing project located in Los Angeles, California. Development of the property was completed and rental operations began in August, 2003. Regulatory agreements entered into with the City of Los Angeles and the California Tax Credit Allocation Committee restrict the use of this property as low-income housing. The General Partner is Hollywood Community Housing Corporation, and the Limited Partner is The Housing Outreach Fund IX Limited Partnership, a District of Columbia limited partnership.

Hollywood Bungalow Courts, L.P., is a California limited partnership. The initial Partnership was formed in November, 2007, for the purpose of developing, and operating a 42 unit low-income rental housing project located in the City of Hollywood, California. Development of the property was completed and rental operations began January, 2010. Regulatory agreements entered into with the State of California, City of Los Angeles and the California Tax Credit Allocation Committee restricts the use of this property as low-income housing. The General Partner is Hollywood Community Housing Corporation, and the Limited Partner is Enterprise Green Communities West, L.P., a Maryland limited partnership.

Innes Heights, L.P., is a California limited partnership which was initially formed on February 28, 2001. The Partnership owns and manages a 19 unit residential building in Los Angeles, California consisting of affordable housing. The Project was placed in service in April 2003. The Partnership entered into regulatory agreements with the California Tax Credit Allocation Committee, the Housing Authority of the County of Los Angeles, and the City of Los Angeles which govern the ownership, occupancy, management, maintenance and operations of the Project. The General Partner is Hollywood Community Housing Corporation. The Investor Limited Partner is Alliant Tax Credit XI, Ltd. and the Administrative Limited Partner is Alliant Tax Credit XI, Inc., a Florida Corporation.

Kenmore Apartments, L.P., is a California limited partnership. The initial Partnership was formed in January, 1999, for the purpose of developing and operating a 21 unit low-income rental housing project located in Hollywood, California. Development of the property was completed and rental operations began in December, 2000. Regulatory agreements entered into with the City of Los Angeles and the California Tax Credit Allocation Committee restrict the use of this property as low-income housing. The General Partner is Hollywood Community Housing Corporation, and the Limited Partner is Enterprise Housing Partners VII, a Maryland limited partnership.

Mariposa Place Apartments, L.P., is a California limited partnership which was initially formed on July 14, 2006. The Partnership owns and manages a 58 unit residential building consisting of affordable housing and commercial space in Los Angeles, California. The Project was placed in service in June 2009. The Partnership entered into regulatory agreements with the California Tax Credit Allocation Committee, the City of Los Angeles, the California Department of Housing and Community Development, and the Housing Authority of the County of Los Angeles which govern the ownership, occupancy, management, maintenance and operations of the Project. The General Partner is Hollywood Community Housing Corporation and the Limited Partner is USB LIHTC FUND 2012-6, LLC, a Delaware limited liability company.

(2) Summary of Significant Accounting Policies, Continued

Mirada Terrace Apartments, L.P., is a California limited partnership. The initial Partnership was formed in November 1998, for the purpose of developing and operating a 30 unit low-income rental housing project located in Hollywood, California. Development of the property was completed and rental operations began in December, 2000. Regulatory agreements entered into with the City of Los Angeles and the California Tax Credit Allocation Committee restricts the use of this property as low-income housing. The General Partner is Hollywood Community Housing Corporation, and the Limited Partners are WAMU Affordable Housing Fund, a Delaware limited partnership and Banc of America Housing fund IIIA, a Georgia limited partnership.

Palomar Apartments, L.P., is a California limited partnership. The initial Partnership was formed in November, 2002, for the purpose of developing and operating a 27 unit low-income rental housing project located in Hollywood, California. The Partnership acquired land on which it constructed the housing project. Development of the property was completed and rental operations began in December, 2005. Regulatory agreements entered into with the City of Los Angeles, and the California Tax Credit Allocation Committee restrict the use of this property as low-income housing. The General Partner is Hollywood Community Housing Corporation, and the Limited Partner is Community Housing Alliance L.P., a Maryland limited partnership.

Step Up on Colorado, L.P., is a California limited partnership which was initially formed on January, 2012 for the purpose of developing and operating a 34 unit low-income rental housing project located in Santa Monica, California. Development of the property was completed and rental operations began in July, 2015.The General Partner is Step Up on Colorado, LLC, a California limited liability company comprised of Hollywood Community Housing Corporation and Step Up on Second Street, Inc., both California nonprofit corporations. The Limited Partner is Raymond James California Housing Opportunities Fund III LLC, a Florida limited liability company.

Step Up on Vine, L.P., is a California limited partnership which was initially formed on March, 2011 for the purpose of rehabilitating and operating a 34 unit low-income rental housing project located in Hollywood, California. Development of the property was completed and rental operations began in December, 2012. The General Partner is Step Up on Vine, LLC, a California limited liability company comprised of Hollywood Community Housing Corporation and Step Up on Second Street, Inc., both California nonprofit corporations. The Limited Partner is Raymond James California Housing Opportunities Fund I, a Florida limited liability company.

Views at 270, L.P., is a California limited partnership which was initially formed on September 24, 2003. The Partnership owns and manages a 56 unit residential building consisting of affordable housing in Los Angeles, California. The Project was placed in service in May 2005. The Partnership entered into regulatory agreements with the California Tax Credit Allocation Committee, the City of Los Angeles, and the California Department of Housing and Community Development which govern the ownership, occupancy, management, maintenance and operations of the Project. The General Partner is Hollywood Community Housing Corporation. The Administrative Limited Partner is Alliant Capital, Ltd., and the Investor Limited Partner is Alliant Tax Credit Fund XXVII, Ltd., both Florida limited partnerships.

Allesandro Housing 811-01 is a non-profit corporation organized to operate 18 unit low and moderate income housing under Section 811 of the Housing Act. Development of the property was completed and rental operations began in August, 2005. The corporation has entered into regulatory agreements with the U.S. Department of Housing and Urban Development and the lenders which govern the ownership, rental rates, occupancy, management, maintenance and operation of the property. The operation is supervised by HUD.

Hollywood Housing 811-97 – Waterloo Heights Apartment is a non-profit corporation organized to operate 18 unit low and moderate income housing under Section 811 of the Housing Act. Development of the property was completed and rental operations began in August, 2002. The corporation has entered into regulatory agreements with the U.S. Department of Housing and Urban Development and the lenders which govern the ownership, occupancy, management, maintenance and operation of the property. The operation is supervised by HUD.

(2) Summary of Significant Accounting Policies, Continued

Non-Controlling Interest in Limited Partnerships

Non-controlling interest in limited partnerships represent the aggregate balance of the investor limited partners' equity interest in the non-wholly-owned affiliated affordable housing limited partnerships that are included in the accompanying consolidated financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Contracts

Revenue from contracted services are classified as exchange transactions and recognized as support in accordance with the terms of the contract. Funds received for services not yet earned are reported as deferred revenue in the consolidated financial statements.

Accounts and Grants Receivable

HCHC does not maintain an allowance for uncollectible amounts because receivables primarily consist of grants and contracted government reimbursement requests. If any amounts become uncollectible, they will be charged to operations when that determination is made. GAAP requires that an allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Management believes all receivables to be collectible at December 31, 2015. The Affordable Housing Affiliates report receivables net of an allowance for estimated uncollectible amounts. It is reasonably possible that the estimate of the allowance could change.

Revenue Recognition

In conformity with GAAP provisions the Organization reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires because the stipulated time restriction ends or the purpose restriction is accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Rental income is recognized for apartment rentals as it accrues. Advance receipts of rental income are deferred and classified as liabilities until earned. Partnership project management fee income is earned annually based on the partnership agreements. Fees earned are eliminated in consolidation.

General support received under grants is recorded when unconditionally promised by the grantor.

Amortization

Mortgage costs are amortized over the term of the mortgage loan using the straight-line method. GAAP requires that the effective yield method be used to amortize the costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

(2) Summary of Significant Accounting Policies, Continued

Depreciable Assets

Land, building and improvements are recorded at cost. Additions and improvements that materially extend the life of assets are capitalized. Expenditures for ordinary maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Furniture and equipment are depreciated over five to seven years. Buildings are depreciated over twenty-seven and a half to forty years. Financing costs are capitalized and amortized on a straight-line basis over the length of the related loan. The estimated life of the assets for depreciation purposes may be different than their actual economic useful lives.

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the assets to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the property. If the long-lived asset is considered to be impaired, the loss to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value of such property. There was no impairment loss recognized for the year 2015.

Income Taxes

HCHC is exempt from Federal and California income taxes under Section 501(c)(3) of the Internal Revenue code and corresponding California provisions. However, HCHC could be subject to Federal and California tax on unrelated business income, if any, as stipulated in IRC Section 511. HCHC does not have any net income that management believes would be subject to unrelated business income tax, as defined. Accordingly, no provision has been made for taxes in the accompanying consolidated financial statements. Management believes that HCHC has adequately addressed all relevant tax positions and that there are no tax positions which must be considered for disclosure.

The Affordable Housing Affiliates are pass-through entities for income tax purposes and are not subject to income taxes. The Affordable Housing Affiliates' federal tax status as a pass-through entity is based on their legal status as a partnership or LLC. The Affordable Housing Affiliates are required to file tax returns with the Internal Revenue Service and other taxing authorities. For tax purposes, income, loss and tax credits are includable in the tax returns of the individual partners and members. Accordingly, no provision has been made for taxes in the accompanying consolidated financial statements. Generally, income tax returns filed by the Affordable Housing Affiliates are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2012 remain open.

Advertising

Advertising costs are expensed as incurred.

Statement of Cash Flows

For purposes of reporting cash flows, the Organization considers all highly liquid instruments, with a maturity rate of three months or less, to be cash equivalents.

Cash paid for the following as of December 31, 2015:

Income taxes: None

(2) Summary of Significant Accounting Policies, Continued

Developer Fees

HCHC is responsible for the development of properties held in accordance with provisions codified in the limited partnership agreements. Development fees are earned in connection with the construction and oversight of the development of the projects. The development fees are recognized as revenue commencing with the closing of a project's construction financing in accordance with the developer fee agreement. Due to the timing and contingent nature of determining the final developer fee owed, HCHC recognizes the fee primarily based on the cash basis of accounting.

In the event that a portion, or all, of the development fee is not paid at the end of the development period (deferred development fee), the deferred development fee is generally assumed to be paid from future project cash flow. Development fees that are earned during the development period and paid for with investor equity or project financing are capitalized by the limited partnerships. Any deferred development fees paid from project operations are eliminated in consolidation. Total developer fees earned and recognized from the limited partnerships approximated $670,000 during 2015.

Business and Concentration of Credit Risk

The Organization's revenue during the year is derived primarily from the development and management of affordable housing projects, grants, and rental income. Rental income derived from related housing projects accounted for approximately 75% of revenues in 2015; 8% from the management and development of affordable housing projects; and 7% is from contributions and grants from governmental and private sources.

The Organization's cash and cash equivalents are maintained in bank accounts which, at times, may be in excess of federally insured amounts. Such cash balances vary throughout the year. The Organization is subject to credit risk to the extent that its cash and cash equivalents exceed federal deposit insurance limits. The Organization has not experienced any losses in such accounts. Management believes this credit risk is not significant in regard to these cash balances as of December 31, 2015.

The Organization's operations are concentrated in the multifamily real estate market. The Organization is subject to business risks associated with the level of funding for particular government programs, as well as charitable giving in both the private and public sectors. The Organization operates in a heavily regulated environment. Most of the Organization's operations are subject to directives, rules and regulations of federal, state and local regulatory agencies. Such directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by such municipal agencies. Also, The Affordable Housing Affiliates rent to people with qualifying levels of income who work primarily in the Los Angeles area and are subject to business risks associated with the economy and level of unemployment in Los Angeles, as well as available rental subsidies, which affect occupancy and the tenants' ability to make rental payments.

HCHC receives fees from partnerships in which it is the general partner, as well as grants and rent subsidies from programs such as HOPWA and Shelter Plus Care. These funds are dependent upon the continued successful development of affordable housing projects by the Organization, compliance with matching requirements of the programs, as well as the continued availability of funds from such programs.

HCHC also provides advances to affiliates involved in the development of the affordable housing projects, and has deferred developer fees and partnership management fees that are owed from the affiliates. Such advances and fees are unsecured and the realization of these fees is dependent upon the operating cash flow of the related affordable housing affiliate. Advances and fees provided to affiliates have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies, Continued

Fair Value Measurements

The carrying amount of the Organizations' cash and cash equivalents, receivables, payables and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of the Organizations notes payable is assessed by management based on analysis of underlying investments and historical trends. Impairment reserves are provided as necessary.

The Organization has certain loans with the City of Los Angeles in which the interest repayment is contingent on the fair value of the property, as defined in the loan agreement (see note 15). The fair value determines whether interest accrues on these loans. Information to develop unobservable inputs to determine fair value is not reasonably available without undue cost and effort. Since significant uncertainty exists with respect to the Organization's cash flow availability to repay the loans, management has concluded that fair value of these loans cannot be determined.

Property Tax Exemption

The Affordable Housing Affiliates are generally exempt from real property taxes to a substantial degree. In the event such exemption is not renewed or no longer available, the Affordable Housing Affiliates' cash flow would be negatively impacted.

Syndication Costs

Syndication costs directly reduce partner equity when incurred.

Subsequent Events

The Organization has evaluated subsequent events that have occurred from December 31, 2015 through August 30, 2016, the date that the financial statements were available to be issued, and determined that there were no subsequent events that required recognition in the consolidated financial statements other than those disclosed in note 16.

(3) Advances to Projects

Advances to projects represent costs that HCHC pays on behalf of particular affordable housing projects, which are to be repaid to HCHC. These advances are for projects in which HCHC is a participating partner and are classified as due from affiliates on the consolidating financial statements. Such advances have been eliminated in consolidation.

(4) Investment in Partnerships

HCHC owns various interests in investor limited partnerships organized for the purpose of developing and maintaining low-income housing. HCHC typically participates as a general partner in these partnerships which have been consolidated in the accompanying financial statements. As its ownership interest in these partnerships is generally minimal, HCHC expenses its partnership capital contributions in the first year the equity investor becomes a limited partner. The limited partners' interest of up to 99.99% in these partnerships is reflected as a non-controlling interest in the accompanying consolidated financial statements.

(4) Investment in Partnerships, Continued

Partnership investments also include the equity interest of HCHC in certain tax credit partnerships that are not controlled by HCHC. HCHC accounts for its investment in such limited partnerships in accordance with the equity method of accounting, under which the investment is carried at cost and is adjusted for HCHC's share of the partnerships results of operations and by cash distributions received. The equity method is discontinued if the carrying amount of the investment is reduced to zero. These limited partnerships' activities are consolidated with the business activities of their controlling owners.

The following is a summary of the financial information of HCHC's equity interest in limited partnerships not controlled by HCHC and accounted for in accordance with the equity method as of December 31, 2015:

Partnership	Owner Interest	Total Assets	Total Liabilities	Partners' Equity	Partners' Net Inc.	HCHC Ptr.Equity
La Brea Franklin LP	20.0%	3,288,000	6,861,000	(3,573,000)	(229,000)	-
Western Carlton Apts LP	.10%	7,957,000	6,935,000	1,022,000	(48,000)	-
Western Carlton II LP	.005%	10,028,000	8,274,000	1,754,000	(435,000)	-
VCHC Gateway LP	.005%	8,447,000	6,976,000	1,471,000	-	-

La Brea/Franklin Housing, L.P. is a California limited partnership which was initially formed on June 10, 1991. The Partnership operates a 40-unit apartment project in Los Angeles, California. The Project entered into regulatory agreements with the California Tax Credit Allocation Committee and the City of Los Angeles which restrict the use of this property as low-income housing. The General Partners are Thomas L Safran, an individual, and Hollywood Community Housing Corporation. The Limited Partners are Safran La Brea Limited, LLC, and Hollywood Housing Holdings, LLC, both California limited liability companies.

Western Carlton Apartments Limited Partnership is a California limited partnership which was initially formed on May 22, 1996. The Partnership owns and operates a 61-unit apartment complex in Los Angeles, California. Regulatory agreements entered into with the City of Los Angeles and the California Tax Credit Allocation Committee restrict the use of this property as low-income housing. The Managing General Partner is Hollywood Community Housing Corporation, and the Developer General Partner is MBA Urban Development Co., a Missouri corporation. The Limited Partner is SunAmerica Housing Fund 643, a Nevada limited partnership.

Western Carlton II L.P., is a California limited partnership which was initially formed on June 5, 2000. The Partnership owns and operates a 60-unit apartment complex in Los Angeles, California. . Regulatory agreements entered into with the City of Los Angeles and the California Tax Credit Allocation Committee restrict the use of this property as low-income housing.. The Managing General Partner is Hollywood Community Housing Corporation, and the Development General Partner is MBA Urban Development Co., a Missouri corporation. The Limited Partner is SunAmerica Housing Fund 1041, a Nevada limited partnership.

VCHC Gateway, L.P., is a California limited partnership. The initial Partnership was formed in September, 2014, for the purpose of developing an affordable rental housing development for low income persons with related amenities located in Los Angeles, California. The Partnership owns and is currently developing the property. The General Partner is VCHC Gateway, LLC, which owns a .01% interest. HCHC is the co-administrative member of the LLC with a 49% interest. The Limited Partner is NEF Assignment Corporation, a California nonprofit corporation, which owns a 99.99% interest in the Partnership.

(5) Real Estate Under Development

The Organization has several projects in development as of December 31, 2015. Development costs are those costs that the Organization pays on behalf of particular affordable housing projects currently owned by the Organization prior to their being placed in service. The Organization capitalizes these costs until the project is transferred to an Affiliate Entity or the project is discontinued and the capitalized costs are expensed. The funding for such costs are provided by acquisition, predevelopment and construction loans.

(6) Restricted Cash Reserves

Reserves and restricted deposits primarily consist of housing project operating and replacement reserves, mortgage escrow impounds, and tenant security deposits. Such reserves are required by various financing authorities, lenders or stipulations in the applicable partnership or operating agreements. The Organization is required to make annual deposits as stipulated in the various loan and regulatory agreements. Reserves are included as restricted cash in the accompanying consolidated financial statements.

(7) Intangible Costs

Costs incurred to obtain financing as well as certain leasing start-up costs of the Organization's rental property have been capitalized and are being amortized as follows:

		HCHC	Affiliates
Financing and Tax Credit Fees	5 - 55 years	$ 8,554	$ 1,871,272
Less: Accumulated Amortization		(2,978)	(833,986)
Net Intangible Costs		$ 5,576	$ 1,037,286

Estimated amortization expense for the next five years and thereafter is as follows:

Year Ending December 31	HCHC	Affiliates
2016	$ 855	$ 73,073
2017	855	73,073
2018	855	71,868
2019	855	69,459
2020	855	69,459
Thereafter	1,301	680,354
Total	$ 5,576	$ 1,037,286

(8) Restrictions on Net Assets

Temporarily restricted net assets at December 31, 2015, are available for the following purposes:

General operating support	$ 63,975
Tenant supportive services	28,486
Total	$ 92,461

(9) Investments in Controlled Limited Partnerships and Other Entities

The following is the summarized combined financial information of the Affordable Housing Entities controlled by HCHC as of December 31, 2015:

ASSETS	
Cash and equivalents	$ 906,491
Reserves and security deposits	5,448,987
Accounts receivable	74,198
Prepaid expenses	48,060
Property, at cost	
Land and improvements	25,002,339
Buildings and improvements	133,436,623
Equipment and furniture	1,658,132
Real estate under development	500,000
Less: accumulated depreciation	37,149,110
Net Property	123,447,984
Intangible costs, net of accumulated amortization (note 7)	1,037,286
Deposits	23,810
Total real estate and other assets held in controlled entities	130,986,816
Assets eliminated in consolidation	1,254,236
Total real estate and other assets held in controlled entities, **before elimination**	$ 132,241,052
LIABILITIES AND NET ASSETS	
Accounts payable	$ 334,343
Real estate development costs payable	775,327
Developer fee payable	7,720
Prepaid rent	35,783
Other financing costs payable	218,304
Accrued interest payable (note 11)	15,721,081
Tenant security deposits	442,473
Notes payable (note 11)	92,418,481
Total Notes payable and other liabilities held in controlled entities	109,953,512
Unrestricted net assets	21,398,965
Liabilities and net assets eliminated in consolidation	888,575
Total liabilities and net assets held in controlled entities, **before elimination**	$ 132,241,052

(9) Investments in Controlled Limited Partnerships and Other Entities, Continued

REVENUE	
Rental income	$ 6,243,975
Laundry and vending machines	55,423
Cancellation of indebtedness	323,000
Miscellaneous income	29,735
Investment income	3,780
Total income from controlled entities	6,655,913
Income eliminated in consolidation	-
Total income from controlled entities, **before elimination**	6,655,913
EXPENSES	
Salaries	726,302
Employee benefits and taxes	249,523
Social service and education	14,232
Office and administration	270,918
Legal and professional	256,125
Property tax and insurance	385,302
License, permits, and fees	65,752
Bond fees and other financing costs	85,501
Maintenance and repairs	1,680,034
Property and asset management fees	425,719
Utilities	636,670
Interest	2,326,634
Expenses before depreciation and amortization	7,122,712
Depreciation and amortization	3,704,950
Total expenses from controlled entities	10,827,662
Expenses eliminated in consolidation	394,600
Total expenses from controlled entities, **before elimination**	$ 11,222,262

(10) Related Party Transactions

In the ordinary course of its operations, HCHC has significant related party transactions with affiliates. Such transactions provide a substantial amount of funding in connection with the development of low-income affordable housing projects.

HCHC earns developer fees, management fees, tenant resident service fees, and accounting fees in connection with services rendered to the Affiliated Entities under various terms and provisions as defined by each Affiliated Entity. Additionally, for the year ending December 31, 2015, HCHC earned approximately $75,000 in management fees from the limited partnerships not controlled by HCHC, as described in note 4.

(11) Notes Payable

Notes payable consist of unsecured debt and collateralized trust deeds on real property and improvements as follows:

HCHC:

$200,000 unsecured line of credit with Wells Fargo Bank, bearing interest at 2% per annum for the first ten-years, adjusting in year eleven using the then ten-year U.S. Treasury note rate. Interest only payable in quarterly installments, principal and any accrued interest due and payable October, 2017. The loan is immediately due and payable if the Organization ceases its normal business operations.	$ 200,000
$500,000 line of credit with Union Bank, secured by Organization assets, interest accruing at a rate of 0.5% per annum above the reference rate determined by Union Bank (4% at December 31, 2015). Interest only payable in monthly installments, principal and any accrued interest all due March, 2017. At December 31, 2015, $100,000 was available for borrowing on the line of credit. The line of credit is subject to certain bank covenants, as defined in the lender Covenant Agreement.	400,000
Unsecured recoverable grant from Enterprise Community Partners, in the original amount of $100,000, to be used for predevelopment and operational support. The recoverable grant is non-interest bearing and is due in full December, 2016.	100,000
Note payable to the City of Los Angeles, in the original amount of $6,527,000, secured by a deed of trust on real property, bearing interest at 3% per annum, unpaid principal and accrued interest due September, 2018. Interest incurred during 2015 was $128,219 and as of December 31, 2015, accrued interest totaled $624,327.	4,566,348
Note payable to the City of Los Angeles, in the original amount of $3,100,000, secured by a deed of trust on real property, bearing interest at 3% per annum. In the event of default, the interest rate will increase to the maximum amount permitted by law. Unpaid principal and all accrued interest shall be due in full March, 2019. Interest incurred during 2015 was $64,575 and as of December 31, 2015, accrued interest totaled $186,963.	2,635,068
Note payable to the Corporation for Supportive Housing, in the original amount of $2,551,000, secured by a deed of trust on real property, bearing interest at 6% per annum which is paid monthly from lender's interest holdback reserve. All Unpaid principal and accrued interest shall be due January, 2017. Interest incurred during 2015 was $137,913.	2,330,424
Note payable to the Corporation for Supportive Housing, in the original amount of $1,760,000, secured by a deed of trust on real property, bearing interest at 6% per annum which is paid monthly from lender's interest holdback reserve. All Unpaid principal and accrued interest shall be due January, 2017. Interest incurred during 2015 was $84,537.	1,455,517
Unsecured predevelopment note payable to the Corporation for Supportive Housing, in the original amount of $75,000, bearing interest at interest at 3% per annum which is paid monthly from lender's interest holdback reserve. All Unpaid principal and accrued interest shall be due April, 2017. Possible forgiveness provisions apply if project cannot be developed. Interest incurred during 2015 was $65.	20,000
Unsecured predevelopment note payable to Low Income Investment Fund, in the original amount of $400,000, bearing interest at interest at 6.25% per annum which is paid monthly from lender's interest holdback reserve. All Unpaid principal and accrued interest shall be due July, 2017. Interest incurred during 2015 was $3,545.	96,993

(11) Notes Payable, Continued

Note payable to Low Income Investment Fund, in the original amount of $490,000, secured by a deed of trust on real property, bearing interest at interest at 4.76% per annum which is paid monthly from lender's interest holdback reserve. All Unpaid principal and accrued interest shall be due July, 2017. Interest incurred during 2015 was $13,865.	455,183
Note payable to the City of Los Angeles, in the original amount of $1,200,000, secured by a deed of trust on real property, bearing interest at 4% per annum, payable annually based on residual receipts, as defined, until all amounts have been paid in full, due the earlier of December, 2035 or at time of sale or refinancing.	1,200,000
Note payable to the City of Los Angeles, in the original amount of $437,479, secured by a deed of trust on real property, bearing interest at 5% per annum, payable in annual installments of principal and interest based on residual receipts, as defined, until all amounts have been paid in full, due the earlier of March, 2037 or at time of sale or refinancing. Subject to possible interest forgiveness provisions at the end of the loan term.	435,498
Note payable to the City of Los Angeles, in the original amount of $1,200,000, secured by a deed of trust on real property, non-interest bearing, payable annually based on residual receipts, as defined, until all amounts have been paid in full, due the earlier of March, 2037 or at time of sale or refinancing.	1,200,000
Note payable to the City of Los Angeles, in the original amount of $135,000, secured by a deed of trust on real property, non-interest bearing, payable annually based on residual receipts, until all amounts have been paid in full, due at time of sale or refinancing.	135,000
Deferred note payable to the City of Los Angeles, in the original amount of $1,910,915, secured by a deed of trust on real property, bearing interest at 3% per annum. Beginning in 2012, the lender makes an annual determination if the property has been maintained in accordance with the loan agreement, as defined. If determined to be in compliance, 5% of the principal balance and all interest that was accrued for the year shall be deemed paid to the lender. Any amount of unpaid principal and accrued interest shall be due in full January, 2031. Interest incurred during 2015 was $45,755 and as of December 31, 2015, accrued interest totaled $33,920.	1,525,580
HCHC Total	$ 16,755,611

Affordable Housing Affiliates:

Eleven amortizing notes payable to various lenders, secured by deeds of trust on real property, bearing interest ranging from 2.32% to 8.45% per annum, principal and interest due date ranging from April, 2016 to December 1, 2039.	$ 11,426,379
Fifty one non-amortizing notes payable to various lenders, secured by deeds of trust on real property, interest ranging from zero to 6.53% per annum, payable based on residual receipts, as defined, until all amounts have been paid in full, due date ranging from July 2021 to July 2070. Some notes subject to interest forgiveness provisions (see note 15)	77,477,802
Two non-amortizing notes payable to The US Department of Housing and Urban Development under Section 811 of the Housing Act, in the original amount of $3,514,300, non-interest bearing. Loan forgiveness as stipulated in the loan agreements remain in effect as long as the properties are operated and maintained as low-income housing for the disabled.	3,514,300
Affordable Housing Affiliates Total	$ 92,418,481

(11) Notes Payable, Continued

At December 31, 2015, required principal repayments of notes payable are as follows:

Year Ending December 31	HCHC	Affordable Housing Affiliates
2016	$ 100,000	$ 5,592,308
2017	4,958,117	180,964
2018	4,566,348	291,813
2019	2,635,068	203,447
2020	-	220,885
Thereafter	4,496,078	85,929,064
Total	$ 16,755,611	$ 92,418,481

The City of Los Angeles loaned HCHC $5,436,590, at 5% per annum, for the purpose of developing affordable housing. The City allowed HCHC to subsequently assign the real property and its rights under three loan agreements to Mirada Terrace Apartments Limited Partnership, Harold Way Limited Partnership, and Mariposa Place Apartments Limited Partnership, of which HCHC participates as the General Partner. Because the funds were part of a government grant that required the loans to remain with HCHC, the security interest for the City loans are cross collateralized against real property assigned to the Limited Partnerships.

Concurrent with the execution of these loans, HCHC received $5,436,590 in promissory notes from the Limited Partnerships, the terms of which were identical to the loans payable to the City of Los Angeles. Proceeds due under the notes receivable will be used to offset the identical payments due under the notes payable. As such, HCHC has not reflected the notes, interest income and interest expense in the financial statements. Accrued interest expense/interest income on the notes approximated $2,795,000 at December 31, 2015.

	Current Portion	Non-Current Portion	Principal Balance as of 12/31/15	Accrued Interest as of 12/31/15
HCHC:				
Amortizing	$ -	-	-	$ -
Non-Amortizing	100,000	16,655,611	16,755,611	871,508
Total HCHC	$ 100,000	16,655,611	16,755,611	$ 871,508
Affordable Housing Affiliates:				
Amortizing	$ 5,592,308	5,834,071	11,426,379	26,205
Non-Amortizing	-	80,992,102	80,992,102	15,694,876
Total Affordable Housing Affiliates	$ 5,592,308	86,826,173	92,418,481	$ 15,721,081

(12) Retirement Plan

Employees may participate in an Internal Revenue Code section 403(b) retirement savings plan, established by HCHC. The plan is funded solely by employee contributions to the plan, pursuant to a salary reduction agreement. All employee contributions are immediately vested.

(13) Functional Expenses

Functional expenses for 2015 are allocated as follows:

Program Services	$ 11,109,079
Management and General	2,034,645
Fundraising	106,157
Total Expenses	$ 13,249,881

(14) Guaranties

HCHC, as the General Partner in various Affordable Housing Affiliates has entered into certain guarantees with the Investor Limited Partner regarding construction completion, initial operating and tax credit guaranties, as defined in the Partnership Agreements, including the following:

Development Guaranty

In general, HCHC is obligated to pay any development cost deficits if the project is not completed or if permanent financing has not been obtained by specific dates. Under these guarantees HCHC provides assurance on project completion and repayment guarantees to lenders for the respective loans. These obligations typically terminate upon funding of permanent project financing.

Credit Recapture Guaranty

In the event of a recapture of tax credits previously received by an investor limited partner, HCHC shall be obligated to reimburse the investor limited partner for any recaptured credits plus any related penalties, interest or additional taxes due. HCHC is not obligated to reimburse if the recapture is due to a change in law or actions by the limited partners.

(15) Commitments and Contingent Liabilities

Operating Deficit Guaranty

In general, HCHC is required to advance funds to the Affordable Housing Affiliates in the form of non-interest bearing loans or equity to meet any operating deficits that may arise during the initial operating period of the project for various lengths of time, as defined in the limited partnership agreements. The potential obligation, which is not funded from the project's operating reserves, is limited to certain maximums, as indicated below. The following are the Affordable Housing Affiliates that are under the operating deficit guaranty and the maximum amount of the guaranty:

Affordable Housing Affiliates	Amount
Step Up on Colorado, L.P.	$ 250,000
Step Up on Vine, L.P.	145,000
Views at 270, L.P.	300,000

(15) Commitments and Contingent Liabilities, Continued

HCHC:

HCHC leases office equipment under various operating lease agreements. Gross monthly minimum lease payments are $628 through September, 2017 and then $550 through July, 2019. Equipment rental expense for the year ended December 31, 2015 approximated $8,400.

According to loan and regulatory agreements, HCHC is required to maintain rental property reserves. HCHC is required to fund annually, from available cash flows, operating reserves equal to three percent of net rental income and replacement reserves of $5,750 per year for its 1938 N. Argyle Avenue housing project.

HCHC and the City of Los Angeles Housing and Community Investment Department provides for possible forgiveness of interest on the Argyle property mortgage note payable of $435,498. At the end of the note's forty-year term, accrued interest will be due and payable only to the extent the fair market value of the property (as defined) exceeds the principal balance of the note plus all superior indebtedness secured against the property. Due to this contingency, interest on the note has not been accrued in the financial statements because the future fair market value of the property at loan maturity is not expected to be sufficient. At December 31, 2015 the Organization is contingently liable for the cumulative amount of unpaid interest that could be due on the note which approximated $341,000.

In 2009 HCHC purchased its office facility, which is located within the Mariposa Place Apartments, L.P.'s (of which HCHC is the General Partner) affordable housing complex. Along with the purchase agreement, HCHC and Mariposa Place entered into a separate reciprocal easement agreement which provided permanent easements, subject to covenants and restrictions per terms of the easement agreement. The reciprocal easement agreement was amended in January, 2012, to include requirements that HCHC make annual payments to Mariposa Place for parking spaces of $3,840; a pro-rata share of building maintenance expenses; and 7.55% of the annual building insurance costs.

In addition, HCHC entered into a master commercial lease agreement with Mariposa Place for additional commercial space located at the complex. The commercial lease agreement was amended in January, 2012. The lease has a 30-year term expiring December 31, 2039. The lease agreement also requires HCHC to pay an annual rent of $1 over the life of the lease.

HCHC's participation in the limited partnerships described above results in contingent liabilities. Pursuant to the terms of the partnership agreements, the limited partners are responsible only for initial capital contributions. As a result, HCHC may be required to arrange for additional funds related to any rehabilitation or operating needs of the partnerships. HCHC may also be subject to other liabilities of the partnerships if the partnership's assets should become insufficient to meet their obligations. In the opinion of management, the future revenues and the value of underlying assets of these partnerships will be sufficient to meet their obligations.

In connection with the Affordable Housing Affiliates who have received low-income housing tax credits, the Affordable Housing Affiliates' awarded housing tax credits are contingent on their ability to maintain compliance with applicable Internal Revenue Service tax credit regulations on an ongoing basis. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits. The General Partner is responsible to ensure that the Partnership satisfies such requirements as part of its guarantees, as defined in the Partnership Agreement.

The properties owned and operated by the Organization are typically developed using monies provided by restrictive, low-interest rate, loans. The terms of these loans restrict the use of the property and generally require that it be rented to low-income qualified tenants for the period of the related loan term. Failure to comply with the terms of the loans would result in a requirement to repay a portion or the entire amount of proceeds received.

(15) Commitments and Contingent Liabilities, Continued

HCHC Litigation

HCHC is involved in certain legal claims arising from its current development of a project located in Los Angeles. Such legal claims may have an impact on the timing and viability of the on-going development. Management does not believe that the outcome of this legal matter will have a material effect on the Organization's consolidated financial position or results of operations.

Affordable Housing Affiliates:

Forgivable Interest

Certain Affordable Housing Affiliates have entered into loans which contain terms that limit the amount of accrued but unpaid interest that may be payable. Generally, accrued but unpaid interest as of the time the loan is due shall be payable only to the extent the fair market value of the Project exceeds the principal balance of the loan plus the principal balance of any loans senior to the loan.

Due to this contingency, interest has not been accrued because the future fair market value of the property at loan maturity is not expected to be sufficient. The following is a schedule of contingent interest that could be due if the fair market value of the property is sufficient (see promissory note details below):

Argyle Community Limited Partnership	$ 1,035,000
Carlton Way Apartments Limited Partnership	1,010,000
Dunning Apartments Partnership, L.P.	1,876,000
St. Andrew's Community Limited Partnership	652,000
Wilcox Apartments, L.P.	393,000
Total	$ 4,966,000

A regulatory agreement with the City of Los Angeles provides for possible forgiveness of interest on the Dunning Apartments mortgage note payable of $1,479,564. At the end of the note's forty-year term, accrued interest will be due and payable only to the extent the fair market value of the property (as defined) exceeds the principal balance of the note plus all superior indebtedness secured against the property. Due to this contingency, interest on the note has not been accrued in the financial statements because the future fair market value of the property at loan maturity is not expected to be sufficient. At December 31, 2015, the Organization is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated $1,876,000, if the fair market value of the property is sufficient at loan maturity.

A regulatory agreement with the City of Los Angeles provides for possible forgiveness of interest on the Argyle Community mortgage note payable of $885,000. At the end of the note's forty-year term, accrued interest will be due and payable only to the extent the fair market value of the property (as defined) exceeds the principal balance of the note plus all superior indebtedness secured against the property. During 2015, the Organization obtained an independent third-party certified appraisal for the purpose of selling the property to an affiliate (see note 16). Although interest is generally only recorded when the property generates sufficient cash to pay the contingent interest, $85,939 of interest was recognized and accrued, in addition to the interest paid during 2015, which represents the appraised value of the property ($1,280,000) in excess of the loan balance and accrued interest on the $125,617 predevelopment loan as of December 31, 2015. The Organization made a payment of $3,000 in 2015 based on cash available for distribution as determined by the City of Los Angeles. At December 31, 2015, the Organization is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated $1,035,000, if the fair market value of the property at loan maturity increases to satisfy the payment provisions of the regulatory agreement is sufficient.

(15) Commitments and Contingent Liabilities, Continued

A regulatory agreement with the City of Los Angeles provides for possible forgiveness of interest on the Carlton Way Apartments mortgage note payable of $1,781,600. At the end of the note's thirty-year term, accrued interest will be due and payable only to the extent the fair market value of the property (as defined) exceeds the principal balance of the note plus all superior indebtedness secured against the property. During 2015, the Organization obtained an independent third-party certified appraisal for the purpose of selling the property to an affiliate (see note 16). Although interest is generally only recorded when the property generates sufficient cash to pay the contingent interest, $155,577 of interest was recognized and accrued, in addition to the interest paid during 2015, which represents the appraised value of the property ($2,230,000) in excess of the loan balance and accrued interest as of December 31, 2015. The Organization made a payment of $5,329 in 2015 based on cash available for distribution as determined by the City of Los Angeles. At December 31, 2015, the Organization is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated $1,010,000, if the fair market value of the property at loan maturity increases to satisfy the payment provisions of the regulatory agreement.is sufficient.

A regulatory agreement with the City of Los Angeles provides for possible forgiveness of interest on the Wilcox Apartments mortgage note payable of $980,277. At the end of the note's forty-year term, accrued interest will be due and payable only to the extent the fair market value of the property (as defined) exceeds the principal balance of the note plus all superior indebtedness secured against the property. During 2015, the Organization obtained an independent third-party certified appraisal for the purpose of selling the Partnership property to an affiliate (see note 16). Although interest is generally only recorded when the property generates sufficient cash to pay the contingent interest, $79,723 of interest was recognized and accrued, in addition to the interest paid during 2015, which represents the appraised value of the property ($1,060,000) in excess of the loan balance and accrued interest as of December 31, 2015. The Organization made payments of $3,283 in 2015 based on cash available for distribution as determined by the City of Los Angeles. At December 31, 2015 the Organization is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated $393,000, if the fair market value of the property at loan maturity increases to satisfy the payment provisions of the regulatory agreement.

A regulatory agreement with the City of Los Angeles provides for possible forgiveness of interest on the St. Andrew’s Community mortgage note payable of $1,127,000. At the end of the note's forty-year term, accrued interest will be due and payable only to the extent the fair market value of the property (as defined) exceeds the principal balance of the note plus all superior indebtedness secured against the property. Due to this contingency, interest on the note has not been accrued in the financial statements because the future fair market value of the property at loan maturity is not expected to be sufficient. At December 31, 2015, the Organization is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated $652,000, if the fair market value of the property is sufficient.

The deferral provisions as stipulated in the loan agreements remain in effect only as long as the properties are operated and maintained as low-income housing and the Organization complies with various other provisions of the agreements. In the event that the properties are not maintained as low-income housing, or if there are other material violations of the loan agreements, the mortgage notes become due and payable. Although this is a possibility, management deems the contingency remote and plans to meet the conditions as set forth in the provisions of the loan agreements.

(16) Subsequent Events

The Organization entered into the following transactions during 2016:

HCHC:

On June 30, 2016, HCHC borrowed additional funds for the development of real property located in Los Angeles that it acquired in 2015. In connection with this additional financing HCHC executed a promissory note payable to the Low Income Investment Fund, in the amount of $600,000, due the earlier of the closing of construction financing or December 31, 2017. The promissory note is secured by a deed of trust against the underlying real property. The loan bears interest at the rate of 6% per annum with interest only paid monthly.

Affordable Housing Entities:

On January 1, 2016, HCHC Recap I, LP amended and restated its Limited Partnership Agreement. The amended agreement allows for the withdrawal of HCHC and Hollywood Housing Holdings LLC, as the existing partners and the admittance of HCHC Recap I, LLC, as the General Partner, and Raymond James California Housing Opportunities Fund V LLC, a Florida limited liability company, as the Limited Partner.

On January 7, 2016, three properties (Argyle Community, Carlton Way, and Wilcox) were sold to HCHC Recap I, LP, for $7,760,000 and the outstanding debt as of the date of the sale was assigned. Cash reserves of $316,786 were also transferred in connection with the sale. The sale resulted in a gain, however, sale transactions between parties under common control are required to be accounted for using the carrying value of the transferred assets. As a result, no gain was recognized on the transaction.

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidating Statement of Financial Position

December 31, 2015

SCHEDULE 1

	General and Administration	Rental Operations	HCHC Total	HCHC Laundry LLC	Affordable Housing Affiliates	Elimination Adjustments	HCHC and Affiliates Total
ASSETS							
Cash and equivalents	$ 640,475	147,385	787,860	21,027	-	-	$ 808,887
Reserves and security deposits	152,232	268,985	421,217	-	-	-	421,217
Accounts receivable	172,443	8,035	180,478	-	-	-	180,478
Note receivable from affiliate	200,000	-	200,000	-	-	(200,000)	-
Developer fee receivable	500,000	-	500,000	-	-	(500,000)	-
Prepaid expenses	30,583	853	31,436	673	-	-	32,109
Property, at cost							
Land and improvements	-	549,053	549,053	-	-	-	549,053
Buildings and improvements	988,649	3,263,726	4,252,375	-	-	(200,000)	4,052,375
Leasehold improvements	-	-	-	305,956	-	-	305,956
Equipment and furniture	342,004	97,655	439,659	271,700	-	-	711,359
Real estate under development	15,273,667	-	15,273,667	-	-	-	15,273,667
Less: accumulated depreciation	410,621	901,638	1,312,259	288,381	-	17,411	1,583,229
Net Property	16,193,699	3,008,796	19,202,495	289,275	-	(182,589)	19,309,181
Intangible costs, net of accumulated amortization	-	5,576	5,576	-	-	-	5,576
Due from affiliates	18,103	-	18,103	-	-	(18,103)	-
Investment in affiliates	225,835	-	225,835	-	-	(225,835)	-
Due from (to) other fund	29,800	(29,800)	-	-	-	-	-
Deposits	10,000	-	10,000	5,258	-	-	15,258
Real estate and other assets held in controlled limited partnerships	-	-	-	-	132,241,052	(1,254,236)	130,986,816
Total Assets	$ 18,173,170	3,409,830	21,583,000	316,233	132,241,052	(2,380,763)	$ 151,759,522

See accompanying auditor’s report.

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidating Statement of Financial Position, Continued

December 31, 2015

SCHEDULE 1

	General and Administration	Rental Operations	HCHC Total	HCHC Laundry LLC	Affordable Housing Affiliates	Elimination Adjustments	HCHC and Affiliates Total
LIABILITIES AND NET ASSETS							
Accounts payable	$ 68,898	3,865	72,763	6,933	-	-	$ 79,696
Real estate development costs payable	55,192	-	55,192	-	-	-	55,192
Due to affiliates	-	-	-	38,038	-	(38,038)	-
Prepaid rent	-	761	761	-	-	-	761
Accrued vacation	53,887	-	53,887	-	-	-	53,887
Notes payable	13,459,533	3,296,078	16,755,611	200,000	-	(200,000)	16,755,611
Accrued interest payable	837,588	33,920	871,508	-	-	-	871,508
Tenant security deposits	2,331	11,327	13,658	-	-	-	13,658
Notes payable and other liabilities held in controlled limited partnerships	-	-	-	-	112,276,887	(2,323,375)	109,953,512
Commitments and contingencies							
Total Liabilities	14,477,429	3,345,951	17,823,380	244,971	112,276,887	(2,561,413)	127,783,825
Net Assets:							
Unrestricted	3,603,280	63,879	3,667,159	71,262	19,964,165	180,650	23,883,236
Temporarily restricted	92,461	-	92,461	-	-	-	92,461
Total Net Assets	3,695,741	63,879	3,759,620	71,262	19,964,165	180,650	23,975,697
Total Liabilities and Net Assets	$ 18,173,170	3,409,830	21,583,000	316,233	132,241,052	(2,380,763)	$ 151,759,522

See accompanying auditor's report.

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidating Statement of Activities

Year ended December 31, 2015

SCHEDULE 2

	General and Administration	Rental Operations	HCHC Total	HCHC Laundry LLC	Affordable Housing Affiliates	Elimination Adjustments	HCHC and Affiliates Total
Changes in unrestricted net assets:							
Revenues and Support:							
Contributions	$ 308,879	-	308,879	-	-	-	$ 308,879
Government contracts	283,692	-	283,692	-	-	-	283,692
Program and resident service fees	94,117	-	94,117	-	-	(94,117)	-
Project developer fees	779,076	-	779,076	-	-	(110,000)	669,076
Project management fees	286,735	-	286,735	-	-	(211,205)	75,530
Rental income	274,221	214,795	489,016	-	-	-	489,016
Laundry and vending machines	-	1,043	1,043	164,531	-	-	165,574
Cancellation of indebtedness	-	566,057	566,057	-	-	-	566,057
Investment income	142	259	401	-	-	-	401
Income from controlled limited partnerships	-	-	-	-	6,655,913	-	6,655,913
Total unrestricted revenue	2,026,862	782,154	2,809,016	164,531	6,655,913	(415,322)	9,214,138
Net assets released from restrictions:							
Satisfaction of program restrictions	84,712	-	84,712	-	-	-	84,712
Total unrestricted revenue and support	2,111,574	782,154	2,893,728	164,531	6,655,913	(415,322)	9,298,850
Expenses:							
Salaries	1,134,288	28,940	1,163,228	62,344	-	-	1,225,572
Employee benefits and taxes	178,742	9,449	188,191	6,443	-	-	194,634
Social service and education	47,765	118	47,883	-	-	-	47,883
Consultants	59,250	-	59,250	-	-	-	59,250
Office and administration	58,413	18,872	77,285	10,821	-	-	88,106
Legal and professional	33,555	4,031	37,586	550	-	-	38,136
Fundraising and outreach	74,520	-	74,520	-	-	-	74,520
Property tax and insurance	119,580	9,666	129,246	15,686	-	-	144,932
Maintenance and repairs	88,710	36,233	124,943	17,735	-	-	142,678
Property and asset management fees	-	11,742	11,742	-	-	-	11,742
Partnership mgmt and resident service fees	(29,000)	29,000	-	-	-	-	-
Utilities	41,868	27,897	69,765	45,679	-	-	115,444
Interest	6,909	49,932	56,841	-	-	-	56,841
Expenses from controlled limited partnerships	-	-	-	-	7,483,218	(360,506)	7,122,712
Expenses before depreciation and amortization	$ 1,814,600	225,880	2,040,480	159,258	7,483,218	(360,506)	$ 9,322,450

See accompanying auditor’s report.

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidating Statement of Activities, Continued

Year ended December 31, 2015

SCHEDULE 2

	General and Administration	Rental Operations	HCHC Total	HCHC Laundry LLC	Affordable Housing Affiliates	Elimination Adjustments	HCHC and Affiliates Total
Changes in unrestricted net assets, Continued:							
Depreciation and amortization	$ 74,394	93,927	168,321	59,160	3,739,044	(39,094)	$ 3,927,431
Total expenses	1,888,994	319,807	2,208,801	218,418	11,222,262	(399,600)	13,249,881
Increase (Decrease) in unrestricted net assets	222,580	462,347	684,927	(53,887)	(4,566,349)	(15,722)	(3,951,031)
Change in temporarily restricted net assets:							
Contributions	27,960	-	27,960	-	-	-	27,960
Net assets released from restrictions	(84,712)	-	(84,712)	-	-	-	(84,712)
Decrease in temporarily restricted net assets	(56,752)	-	(56,752)	-	-	-	(56,752)
Increase (decrease) in net assets	165,828	462,347	628,175	(53,887)	(4,566,349)	(15,722)	(4,007,783)
Other changes in net assets:							
Partnership distributions	-	-	-	-	(6,693)	(100)	(6,793)
Syndication costs	-	-	-	-	(58,435)	-	(58,435)
Net assets at beginning of year	3,529,913	(398,468)	3,131,445	125,149	24,595,642	196,472	28,048,708
Net assets at end of year	$ 3,695,741	63,879	3,759,620	71,262	19,964,165	180,650	$ 23,975,697

See accompanying auditor's report.

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidating Statement of Cash Flows

Year ended December 31, 2015

SCHEDULE 3

	General and Administration	Rental Operations	HCHC Total	HCHC Laundry LLC	Affordable Housing Affiliates	Elimination Adjustments	HCHC and Affiliates Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Change in net assets	$ 165,828	462,347	628,175	(53,887)	(4,566,349)	(15,722)	$ (4,007,783)
Adjustments to reconcile change in net assets to cash flow from operating activities:							
Depreciation expense and amortization expense	74,394	93,927	168,321	$59,160	3,739,044	(39,094)	3,927,431
Prepaid investor service fee	-	-	-	-	2,506		2,506
Cancellation of indebtedness	-	(566,057)	(566,057)	-	(323,000)		(889,057)
Unrealized gain on interest rate swap	-	-	-	-	(21,688)		(21,688)
(Increase) decrease in operating assets:							
Tenant security deposits	-	(4)	(4)	-	(40,894)		(40,898)
Grants receivable	35,000		35,000	-	-		35,000
Accounts receivable	(50,284)	(3,884)	(54,168)	-	44,567		(9,601)
Prepaid expenses	(10,767)	4,159	(6,608)	49	46,170		39,611
Advances to projects	47,785	-	47,785	-	-		47,785
Developer fee receivable	(215,851)	-	(215,851)	-	-	(100,137)	(315,988)
Due from affiliates	177,930	-	177,930	-	-	(177,930)	-
Deposits	-	-	-	(149)	4,722		4,573
Increase (decrease) in operating liabilities:							
Accounts payable and accrued expenses	10,093	505	10,598	(1,319)	12,803		22,082
Prepaid rent	-	(15,514)	(15,514)	-	(21,588)		(37,102)
Due to affiliates	12,300	(12,300)	-	(3,123)	(34,662)	37,785	-
Accrued interest payable	1,008	45,755	46,763	-	1,878,470	(46,054)	1,879,179
Tenant security deposits	-	631	631	-	31,285		31,916
Net cash provided by operating activities	247,436	9,565	257,001	731	751,386	(341,152)	667,966
CASH FLOWS FROM INVESTING ACTIVITIES:							
Payment for property and other reserves	(142)	(255)	(397)	-	(952,542)		(952,939)
Payment for equipment and furniture	-	-	-	(1,172)	(34,050)		(35,222)
Increase in housing partnership investments	(100)	-	(100)	-	-	100	-
Payment for land and building	-	-	-	-	(5,230,287)		(5,230,287)
Payment for real estate under development	(4,592,646)	-	(4,592,646)	-	-		(4,592,646)
Net cash used in investing activities	$ (4,592,888)	(255)	(4,593,143)	(1,172)	(6,216,879)	100	$ (10,811,094)

See accompanying auditor’s report.

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A Nonprofit California Corporation)

Consolidating Statement of Cash Flows, Continued

Year ended December 31, 2015

SCHEDULE 3

	General and Administration	Rental Operations	HCHC Total	HCHC Laundry LLC	Affordable Housing Affiliates	Elimination Adjustments	HCHC and Affiliates Total
CASH FLOWS FROM FINANCING ACTIVITIES:							
Payment of project advances	$ -	-	-	-	(175,867)	110,000	$ (65,867)
Partner distributions	-	-	-	-	(6,693)	(100)	(6,793)
Repayment of notes payable	(806,887)	-	(806,887)	-	(187,747)		(994,634)
Proceeds from notes payable	5,285,537	-	5,285,537	-	5,736,314		11,021,851
Net cash provided by financing activities	4,478,650	-	4,478,650	-	5,366,007	109,900	9,954,557
Net increase (decrease) in cash	133,198	9,310	142,508	(441)	(99,486)	(231,152)	(188,571)
Cash, beginning	507,277	138,075	645,352	21,468	1,005,977	231,152	1,903,949
Total consolidated cash	640,475	147,385	787,860	21,027	906,491		1,715,378
Less: cash held in controlled limited partnerships	-	-	-	-	(906,491)	-	(906,491)
Cash, ending	$ 640,475	147,385	787,860	21,027	-		$ 808,887
Supplemental noncash investing and financing activities:							
Additional costs of rental property from capitalized interest accrual and construction costs payable.	$ 247,937	-	247,937	-	961,833	-	$ 1,209,770
Supplemental disclosure of cash flow information:							
cash paid for interest, net of amounts capitalized.	$ 5,901	4,177	10,078	-	498,821	-	$ 508,899

See accompanying auditor’s report.