HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2023 AND 2022

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)

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DAUBY
O'CONNOR &
ZALESKI, LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hollywood Community Housing Corporation
(A California Not-For-Profit Corporation)

Opinion

We have audited the accompanying financial statements of Hollywood Community Housing Corporation, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, based on our report and the reports of the component auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hollywood Community Housing Corporation as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of 14 and 15 controlled and wholly owned entities, of which the activity on these entities represents approximately $313.1 and $278.7 million of the total assets at December 31, 2023 and 2022, and approximately $10.1 and $10.3 million of the total revenue for the years ended December 31, 2023 and 2022, all respectively. Those statements were audited by component auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the component auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Hollywood Community Housing Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Error

As described in Note 11 to the consolidated financial statements, certain errors resulting in the overstatement of the change in net assets and net assets without donor restrictions, and understatement of liabilities previously reported as of and for the year ended December 31, 2022, were discovered by management during the year ended December 31, 2023. Accordingly, the consolidated financial statements as of and for the year ended December 31, 2022, have been restated to correct these errors. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hollywood Community Housing Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Hollywood Community Housing Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hollywood Community Housing Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dauby O'Connor & Zaleski, LLC

June 27, 2024
Carmel, Indiana

Dauby O'Connor & Zaleski, LLC
Certified Public Accountants

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
Current assets		
Cash, equivalents, and restricted cash		
Cash	$ 5,977,928	$ 7,636,526
Restricted reserves	21,298,387	10,949,480
Total cash, equivalents, and restricted cash	**27,276,315**	**18,586,006**
Resident receivables	739,180	709,789
Prepaid expenses	527,321	348,548
Total current assets	**28,542,816**	**19,644,343**
Property and equipment		
Land	42,669,709	42,669,709
Buildings and improvements	318,046,083	318,009,858
Furniture and equipment	5,756,514	5,550,587
Construction in progress	47,985,130	17,173,471
	414,457,436	**383,403,625**
Less: Accumulated depreciation	(82,216,788)	(73,309,157)
Total property and equipment	**332,240,648**	**310,094,468**
Other assets		
Developer fee receivable	1,266,650	-
Grants and contracts receivable	109,625	267,732
Notes and other related party receivables	7,097,438	4,912,489
Unamortized costs, net	384,130	419,803
Right-of-use-asset	36,301	36,772
Other assets	68,801	68,801
Total other assets	**8,962,945**	**5,705,597**
	$ 369,746,409	**$ 335,444,408**

See notes to financial statements

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET ASSETS

	2023	Restated 2022
Current liabilities		
Accounts payable and accrued expenses	$ 955,140	$ 574,681
Accounts payable - construction	10,391,055	753,761
Prepaid revenue	170,354	257,627
Accrued interest - current	646,743	616,065
Mortgages and notes payable - current maturities	2,441,323	7,632,140
Total current liabilities	**14,604,615**	**9,834,274**
Deposit liabilities		
Resident security deposits	**895,380**	**872,335**
Long term liabilities		
Mortgages and notes payable, net of current maturities	22,987,988	23,927,520
Mortgages and notes payable (deferred)	202,071,418	168,685,587
Less: Unamortized debt issuance costs	(1,150,766)	(1,258,740)
Refundable advance	4,878,412	3,640,603
Due to affiliates - long-term	2,010	21,104
Accrued interest - long-term	39,592,798	35,941,499
Total long term liabilities	**268,381,860**	**230,957,573**
Total liabilities	**283,881,855**	**241,664,182**
Net assets - without donor restrictions		
Controlling interest	(3,077,521)	(4,797,691)
Non-controlling interest	88,771,651	98,263,427
Total net assets - without donor restrictions	**85,694,130**	**93,465,736**
Net Assets - with donor restrictions	**170,424**	**314,490**
Total net assets	**85,864,554**	**93,780,226**
Total liabilities and net assets	**$ 369,746,409**	**$ 335,444,408**

See notes to financial statements

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	Restated 2022
Revenues		
Net rental income	$ 14,261,564	$ 13,270,034
Contribution income	96,219	281,201
Government contracts and grants	4,086,750	804,901
Special events income	144,034	5,612
Development income	1,266,650	-
Management and partnership fee income	19,217	-
Interest income, net	117,838	19,721
Investment income	29,093	-
Other income	721,663	1,146,267
Total revenue	**20,743,028**	**15,527,736**
Operating expenses		
Administration	2,115,818	2,030,547
Management fees	430,382	637,798
Salaries and benefits	5,549,538	4,767,676
Utilities	1,764,268	1,573,683
Repairs and maintenance	3,529,800	3,200,521
Taxes and insurance	1,142,284	767,250
Total operating expenses	**14,532,090**	**12,977,475**
Income (loss) from operations before debt maintenance and other expenses	**6,210,938**	**2,550,261**
Debt maintenance		
Interest expense	5,459,181	5,427,647
Total debt maintenance	**5,459,181**	**5,427,647**
Income (loss) from operations before other expenses	**751,757**	**(2,877,386)**
Other expenses		
Depreciation and amortization	8,971,856	8,617,229
Other entity expenses	109,635	69,785
Total other expenses	**9,081,491**	**8,687,014**
Change in net assets	**$ (8,329,734)**	**$ (11,564,400)**

See notes to financial statements

HOLLYWOOD COMMUNITY HOUSING CORPORATION
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CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NET ASSETS - WITHOUT DONOR RESTRICTIONS

CONTROLLING INTEREST	
Balance, January 1, 2022	**$ (2,306,295)**
Other changes in controlling interest	(9,409)
Change in net assets, restated	(2,481,987)
Balance, December 31, 2022, restated	**(4,797,691)**
Other changes in controlling interest	-
Change in net assets	1,720,170
Balance, December 31, 2023	**$ (3,077,521)**
NON-CONTROLLING INTEREST	
Balance, January 1, 2022	**$ 79,167,327**
Contributions	28,145,397
Other changes in non-controlling interest	202,606
Change in net assets, restated	(9,251,903)
Balance, December 31, 2022, restated	**98,263,427**
Contributions	444,850
Distributions	(30,788)
Other changes in non-controlling interest	-
Change in net assets	(9,905,838)
Balance, December 31, 2023	**$ 88,771,651**

NET ASSETS - WITH DONOR RESTRICTIONS

Balance, January 1, 2022	**$ 145,000**
Change in net assets - with donor restrictions	169,490
Balance, December 31, 2022	**314,490**
Change in net assets - with donor restrictions	(144,066)
Balance, December 31, 2023	**$ 170,424**

See notes to financial statements

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	Restated 2022
Cash flows from operating activities		
Change in net assets	**$ (8,329,734)**	**$ (11,564,400)**
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,971,856	8,617,229
Amortization - right-of-use asset	471	471
Amortization - debt issuance costs	107,974	132,976
Forgiveness of debt	(389,320)	(266,545)
Prior period adjustment	-	193,197
Write-off of investment balance	(29,078)	-
Changes in:		
Resident receivables	(29,391)	(146,955)
Developer fee receivable	(1,266,650)	-
Grants and contracts receivable	158,107	(133,205)
Notes and other related party receivables	(2,025,182)	(1,138,169)
Prepaid expense	(178,773)	(138,434)
Accounts payable and accrued expenses	380,459	(3,862,265)
Due to related party	(19,094)	(1,097)
Accrued interest	3,558,391	3,329,723
Prepaid revenue	(87,273)	139,864
Refundable advances	1,237,809	3,168,964
Security deposit liability	23,045	4,600
Net cash provided by (used in) operating activities	**2,083,617**	**(1,664,046)**
Cash flows from investing activities		
Payments for property and equipment	(21,240,077)	(14,622,961)
Notes and other related party receivables	(159,767)	(3,482,204)
Net cash provided by (used in) investing activities	**(21,399,844)**	**(18,105,165)**
Cash flows from financing activities		
Contributions	444,850	28,145,397
Distributions	(30,788)	-
Proceeds from mortgages and notes payable	33,982,089	28,224,542
Principal payments on mortgages and notes payable	(6,361,062)	(37,866,122)
Increase in net assets - with donor restrictions	-	-
Payments for tax credit fees	(28,553)	-
Payments for debt issuance costs	-	(133,722)
Net cash provided by (used in) financing activities	**28,006,536**	**18,370,095**
Net change in cash and cash equivalents	**8,690,309**	**(1,399,116)**
Cash and equivalents, beginning	**18,586,006**	**19,985,122**
Cash and equivalents, ending	**$ 27,276,315**	**$ 18,586,006**
Supplemental disclosure of other information		
Cash paid for interest	$ 2,338,141	$ 1,803,098

See notes to financial statements

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Hollywood Community Housing Corporation (HCHC) was formed to provide affordable housing through acquisition, construction, rehabilitation, and operation of residential properties in a manner that enhances existing neighborhoods.

HCHC's wholly owned affiliates include Hollywood Housing Holdings, LLC, HCHC Recap I, LLC, Step Up On Vine, LLC, HCHC General Partner, LLC, Stanford Avenue GP, LLC, HCHC Florence Mills GP, LLC, HCHC Gramercy Place GP, LLC, HCHC Palm Vista MGP, LLC, HCHC Palm Vista IIG, LLC, HCHC Walnut Park GP, LLC, HCHC Luna Vista GP, LLC, Venice Dell GP, LLC and Peak Plaza GP, LLC. HCHC or these affiliates have ownership in the following entities (the Properties, and together with HCHC, the Corporation):

Entity	DBA	Units	Ownership %
Controlled Entities			
Alexandria House Apartments, LP	Alexandria House Apartments	16	0.0051
Palo Verde Apartments, LP	Palo Verde Apartments	49	0.010
Paul Williams Apartments, LP	Paul Williams Apartments	41	0.010
Florence Mills Apartments, LP	Florence Mills Apartments	74	0.010
Gramercy Place Apartments, LP	Gramercy Place Apartments	64	0.010
Stanford Avenue Apartments, LP	Stanford Avenue Apartments	85	0.010
HCHC Recap 1, LP	Argyle, Carlton Way, Wilcox	68	0.010
Hollywood Bungalow Courts, LP	Hollywood Bungalow Courts	42	0.010
Luna Vista, LP	Luna Vista Apartments	73	0.010
Mariposa Place Apartments, LP	Mariposa Place Apartments	58	0.010
Coronel Apartments, LP	Coronel Apartments	54	0.010
Step Up on Colorado, LP	Step Up on Colorado	34	0.005
Step Up on Vine, LP	Step Up on Vine	34	0.005
Wholly Owned Entities			
Not separately incorporated	Argyle Court Apartments	23	100.000
Not separately incorporated	Orchard Gables	n/a	100.000
Peak Plaza, LP	Peak Plaza Apartments	104	100.000
Innes Heights, LP	Innes Heights Apartments	19	100.000
Barnsdall Court, LP	Barnsdall Court Apartments	38	100.000
Selma-Hudson Community, LP	Casa Verde Apartments	30	100.000
Dunning Apartments Partnership, LP	Dunning Apartments	26	100.000
Kenmore Apartments, LP	Kenmore Apartments	21	100.000
Mirada Terrace Apartments, LP	Mirada Terrace Apartments	30	100.000
St. Andrew's Community, LP	St. Andrew's Bungalow Court	16	100.000
Harold Way Apartments, LP	Harold Way Apartments	51	100.000
Palomar Apartments, LP	Palomar Apartments	27	100.000
Views at 270, LP	Views Apartments	56	100.000
Walnut Park, LP	Walnut Park Apartments	64	100.000
Allesandro Housing 811-01	Allesandro Housing	18	100.000
Waterloo Heights 811-97	Waterloo Heights Apartments	18	100.000

Entity	DBA	Units	Ownership %
Equity Method Investments			
La Brea Franklin, LP	La Brea Franklin Apartments	40	20.000
Western Carlton Apartments, LP	Western Carlton Apartments I	61	0.100
Western Carlton II, LP	Metro Hollywood	60	0.005
Palm Vista, LP	Palm Vista Apartments	91	0.0049
Venice Dell, LP	Venice Dell Community	140	0.0049

During the year ended December 31, 2023, construction on Luna Vista Apartments (73 units) and Walnut Park Apartments (64 units) were in process. Palm Vista Apartments (91 units) completed construction and was placed-in-service in August 2023. Peak Plaza Apartments (104 units) and Venice Dell Community (140 units), are in predevelopment.

The majority of the Corporation's Wholly Owned Entities are separately incorporated partnerships. The Corporation also presents Argyle Court Apartments and Orchard Gables as Wholly Owned Entities, however, these Properties are not separately incorporated. In addition, the Corporation presents two nonprofit organizations regulated by the United States Department of Housing and Urban Development (HUD) Section 811 Program, Allesandro Housing and Waterloo Heights, as Wholly Owned Entities as HCHC has both an economic interest and control of the organizations through a majority voting interest in their governing boards.

Cash flow from operating activities generated by the Properties is payable in accordance with each Property's respective organizational documents. The Properties pay distributions in accordance with the terms of the partnership or operating agreements, after priority payments which include payments to the limited partner, the asset manager, the developer fee, repayment of advances to the property, and reimbursable service charges as applicable.

Description of programs

The Corporation improves the quality and affordability of housing in Los Angeles County by developing new apartments and rehabilitating existing properties. The Properties are clustered in different parts of Los Angeles County and serve low-income households. The Corporation's programs are as follows:

Housing Operations - HCHC's housing operations includes the operations of the Properties and its asset management department which develops and implements strategies to ensure the long-term health of its properties for the benefit of its residents. HCHC also manages 570 units as of December 31, 2023 and anticipates self managing additional Properties in future periods. The department monitors the lease-up process of new buildings, supervises property management operations, analyzes financial performance, imposes control over property maintenance, mediates resident grievances, and works with its housing development department on design considerations for new buildings. The asset management team actively seeks out ways to lower operating expenses, primarily through green initiatives and energy savings programs.

Housing Development - HCHC's core program is the development of affordable housing. HCHC is committed to doing its part to address the housing crisis and is building affordable housing, including permanent supportive housing (PSH) at the fastest rate in the organizations history. Since its inception, HCHC has developed 33 properties that house over 2,500 people in 1,244 apartment units of safe, attractive and centrally located affordable housing. Residents of HCHC properties have extremely low to low-incomes, typically earning below 60% of the area median income. All of HCHC's housing units are affordable and almost 40% of HCHC's housing units are designated to support individuals with special needs and their families, those diagnosed with HIV/AIDS, those who have formerly experienced chronic homelessness, and persons living with co-occurring and multiple diagnosed conditions. Three of HCHC's buildings are dedicated to serving seniors only, and one specifically serves seniors living with special needs.

Resident Services - HCHC's resident services program provides care coordination, referral and linkage to resources, crisis intervention, a food pantry, ESL classes, GED instruction, group/individual therapy, and life-skills classes. When circumstances like a pandemic are not a factor, HCHC's Food Pantry is open once a week to HCHC residents and the community at large and provides food staples, meat, and vegetables every month. People accessing the food pantry include a number of HCHC residents living with special needs, low-income households in the neighboring community, and individuals who may identify as homeless.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the consolidated financial statements

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and are in conformity with the provisions required by the Not-for-Profit Entities Presentation of Financial Statements topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205. This topic established standards for external financial reporting for Not-for-Profit Organizations.

The Not-for-Profit Entities Presentation of Financial Statements topic primarily affects the display of the consolidated financial statements and requires that the amounts for each of two classes of net assets - with or without donor restrictions - be displayed in the consolidated statements of financial position and the amounts of the change in each of those classes of net assets be displayed in a consolidated statements of changes in net assets.

In accordance with FASB ASC 958-810, the consolidated financial statements include the accounts of the Corporation and its wholly owned partnerships and limited liability companies, after elimination of all material intercompany accounts, transactions, and profits. The Corporation does not consolidate the transactions and accounts of the previously mentioned equity method investments.

The financial statements also consolidate the assets, liabilities, and activities of the Corporation and various limited partnerships and limited liability companies for which the Corporation, as the general partner or managing member, has a controlling financial and legal interest. All significant intercompany transactions have been eliminated in the consolidation.

Net assets without donor restrictions - controlling interests

Net assets without donor restrictions - controlling interests are not restricted by donor-imposed stipulations and are available for use at the discretion of the board of directors and/or management for general operating purposes. The only limits on net assets are broad limits resulting from the nature of the Corporation and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements. From time to time the board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets without donor restrictions - noncontrolling interests

Net assets without donor restrictions - noncontrolling interests represent the aggregate balance of the third party limited partners' equity interest, generally 99.99%, in the controlled limited partnerships that are included in the consolidated financial statements.

New accounting pronouncements

In March 2020, FASB issued ASU 2020-04, Reference Rate Reform (Topic 848), which provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The standard is effective from March 2020 through December 31, 2024 (as amended by ASU 2022-06) and will allow the Corporation to adopt other reference rates without applying the contract modifications provisions of accounting standards generally accepted in the United States of America. During the years ended December 31, 2023 and 2022, ASU 2020-04 did not have a material impact on the Corporation.

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses. The standard is effective for fiscal years beginning after December 31, 2022, and sets forth a current expected credit loss (CECL) model which requires impacted entities to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets. The Corporation determined its receivables are not included in the scope of the CECL model as its material receivables are due from affiliates under common control. Accordingly, the adoption of the standard did not have a material impact on the financial statements.

Cash and cash equivalents

For the consolidated statements of cash flows, all unrestricted cash and restricted cash with original maturities of three months or less are considered cash. At December 31, 2023 and 2022, cash consists of operating checking and money market accounts. The carrying amount of cash and deposits held in trust-funded accounts approximates fair value due to the type of investments and the maturity dates.

Restricted reserves

The Properties have set up certain operating, replacement, development and other reserve accounts and continues to make annual deposits as required by the various loan and regulatory agreements. In addition, restricted reserves also include tenant security deposits and development reserves restricted by lenders to be used for development purposes.

Resident receivable and bad debt policy

The Properties' resident rent charges for the current month are due on the first of the month. Residents who are evicted or move-out are charged with damages or cleaning fees, if applicable. Resident receivables consist of amounts due for rental income or the charges for damages and cleaning fees. The Properties do not accrue interest on the resident receivable balances.

Resident receivables, which are outside of the scope of ASU 2016-13, are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not material to the consolidated financial statements for the years ended December 31, 2023 and 2022. Bad debts expensed for the years ended December 31, 2023 and 2022 totaled $124,701 and $134,291, respectively.

Developer fee receivable

Developer fee receivable consists of amounts earned in connection with the development of affordable housing facilities and are based on a percentage of development costs incurred and is eliminated in consolidation. Amounts due from the housing facilities are stated at unpaid balances, less an allowance for doubtful accounts. The Corporation may accrue interest on the developer fee receivable balance. As of December 31, 2023 and 2022, the allowance for doubtful accounts relating to the developer fee receivable totaled $0 and $0, respectively. Bad debts expensed for the years ended December 31, 2023 and 2022 totaled $0 and $0, respectively.

Property and equipment

The Properties' depreciation of property and equipment, stated at cost, is computed primarily using the straight-line method over the estimated useful lives of the assets ranging from 3 - 40 years. Costs that are deemed to increase the useful life of the property or equipment are capitalized. When assets are sold or otherwise disposed of, the costs and related reserves are removed from the accounts, and any resulting gain or loss is included in operations.

The Properties incurred costs related to the construction period, including development service fees, interest, real estate taxes, and insurance, which are capitalized and included in property and equipment.

The Properties are subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB ASC 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Corporation's consolidated financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during the years ended December 31, 2023 and 2022.

Pre-development costs receivable

Pre-development costs receivable consist of amounts advanced to fund entity formation and pre-development of affordable housing facilities. Amounts due from the housing facilities are stated at unpaid balances, less an allowance for doubtful accounts. As of December 31, 2023 and 2022, the allowance for doubtful accounts relating to the pre-development costs receivable totaled $0 and $0, respectively. Bad debts expensed for the years ended December 31, 2023 and 2022 totaled $0 and $0, respectively.

Notes and other related party receivables

Notes and other related party receivable are carried at amounts contractually due, less an allowance for doubtful accounts. The Corporation accrues interest on the note receivable balances. Management periodically reviews notes receivable and uses an allowance for doubtful accounts to recognize bad debts. Notes receivable on the consolidated statements of financial position is shown net of the allowance for doubtful accounts. As of December 31, 2023 and 2022, the allowance for doubtful accounts relating to the notes and other related party receivables totaled $0 and $0, respectively. Bad debts expensed for the years ended December 31, 2023 and 2022 totaled $0 and $0, respectively.

Investment in partnerships

The Corporation does not consolidate the accounts and activities of certain Properties it considers equity investments. The Corporation has determined that it is unable to exercise significant influence of the limited liability entities under FASB ASC 958-810. The Corporation accounts for its equity investments in accordance with the equity method of accounting, under which the equity investment is carried at cost and is adjusted for the Corporation's share of net income or loss and by cash distributions received. Equity in loss of each equity investment allocated to the Corporation is recognized to the extent of the Corporation's equity investment balance. Previously unrecognized equity in loss is recognized in the year in which equity in income is earned by such equity investment or additional investment is made by the Corporation. Distributions received subsequent to the elimination of an equity investment balance will be recorded as other income. Advances and additional capital contributions will be recorded as additional equity investments if they occur. The Corporation assesses the carrying value of its equity investments whenever there are indications that a permanent impairment may have occurred. No impairment losses were recognized during the years ended December 31, 2023 and 2022.

Unamortized costs

Certain Properties incurred costs including California Tax Credit Allocation (TCAC) monitoring fees which are being amortized over 10-15 year terms using the straight-line method.

Debt issuance costs

The Corporation or Properties are subject to the provisions of the Interest-Imputation of Interest topic of the FASB ASC 835-30 which requires unamortized debt issuance costs to be presented as a reduction of the outstanding debt and the amortization of the debt issuance costs to be presented as a component of interest expense. Debt issuance costs are amortized on a straight-line basis or effective interest method over the term of the loans.

Mortgages and notes payable (deferred)

The Corporation and Properties have obtained financing which do not typically require payments unless the Properties cease to provide affordable housing or fail to meet other requirements in the loan agreements. Payments if required are due at maturity or annually in the event of positive residual receipts as stated in the loan agreements. These loans are presented as deferred on the consolidated statements of activities.

Contingent interest

Certain Properties do not record contingent interest due on certain notes payable as the Corporation anticipates it will be forgiven upon loan maturity.

Contributions

Syndication costs incurred in connection with generating contributions of the non-controlling interests are reported net of syndication costs for financial reporting purposes.

Rental income

The Properties' rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Properties and the residents of the property are operating leases under FASB ASC 842 and are not within the scope of FASB ASU 2014-09.

Management fee income

The Corporation's management fee income is earned based on the terms as outlined in the management agreements between HCHC and various properties. Management fees are typically paid by various properties one month in arrears.

Grants, contributions, and other support

In accordance with FASB ASC 958-605, the Corporation evaluates its nonreciprocal transactions. Generally accepted accounting principles requires the Corporation to first determine whether or not the nonreciprocal transactions contain donor-imposed conditions. Nonreciprocal transactions that are subject to donor-imposed conditions are accounted for as a refundable advance until the conditions have been met or explicitly waived by the donor at which point it becomes unconditional. Unconditional nonreciprocal transactions are recognized as revenue with or without donor restrictions. All donor-restricted contributions are reported as increases in net assets – with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplishes), restricted net assets are reclassified to net assets – without donor restrictions.

The Corporation received grants from various government agencies and philanthropic foundations that could be subject to long-term compliance requirements. As management intends to fulfill the compliance requirements as part of its mission, grants are recognized as revenue in the period the grant funds were spent for their intended use.

Development income

The Corporation earns developer fees primarily for orchestrating the financing and construction of affordable housing, generally in its capacity as general partner or managing member of various real estate partnerships and limited liability companies. Fees are recognized based on completion of various phases of the property representing its performance obligations, as specified in the respective agreements. Certain fees are deferred and payable from the properties' future available operating cash flow. In accordance with FASB ASC 606, an allowance should be established to reserve against balances determined to be uncollectible. However, the receivable balances are eliminated as intercompany transactions, and the difference is considered to not be material to the consolidated financial statements.

Advertising costs

The Properties' advertising costs are expensed as incurred and are included in administrative expenses in the consolidated statements of activities.

Property taxes

The Properties are generally exempt from property taxes on residential property. If property taxes are not exempt, they are expensed in the year of the lien on the property such that twelve months of expense are charged to operations each year.

Functional allocation of expenses

The Corporation's program is to provide affordable housing and those costs have been summarized on a functional basis in the table below. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Corporation.

	Program Services - 2023						
	Housing Operations	Housing Development	Resident Services	Subtotal Program Services	Management and General	Fundraising	Total
Administration	$ 1,877,968	$ 89,832	$ 55,127	$ 2,022,927	$ 73,800	19,091	$ 2,115,818
Management fees	430,382	-	-	430,382	-	-	430,382
Salaries and benefits	3,891,987	626,031	384,173	4,902,191	514,306	133,041	5,549,538
Utilities	1,757,516	2,550	1,565	1,761,631	2,095	542	1,764,268
Repairs and maintenance	3,519,337	3,952	2,425	3,525,714	3,246	840	3,529,800
Taxes and insurance	1,110,144	12,139	7,449	1,129,732	9,972	2,580	1,142,284
Interest expense	5,406,001	20,085	12,326	5,438,412	16,501	4,268	5,459,181
Depreciation and amortization	8,940,999	11,654	7,152	8,959,805	9,574	2,477	8,971,856
Other entity expense	109,635	-	-	109,635	-	-	109,635
	$27,043,969	**$ 766,243**	**$ 470,217**	**$ 28,280,429**	**$ 629,494**	**$ 162,839**	**$ 29,072,762**

	Program Services - 2022						
	Housing Operations	Housing Development	Resident Services	Subtotal Program Services	Management and General	Fundraising	Total
Administration	$ 1,732,546	$ 118,232	$ 69,649	$ 1,920,427	$ 83,299	26,821	$ 2,030,547
Management fees	637,798	-	-	637,798	-	-	637,798
Salaries and benefits	3,264,917	596,221	351,226	4,212,364	420,059	135,253	4,767,676
Utilities	1,566,705	2,768	1,631	1,571,104	1,951	628	1,573,683
Repairs and maintenance	3,191,472	3,590	2,115	3,197,177	2,530	814	3,200,521
Taxes and insurance	736,646	12,142	7,153	755,941	8,555	2,754	767,250
Interest expense	5,373,286	21,568	12,705	5,407,559	15,195	4,893	5,427,647
Depreciation and amortization	8,585,048	12,768	7,521	8,605,337	8,996	2,896	8,617,229
Other entity expense	69,785	-	-	69,785	-	-	69,785
	$25,158,203	**$ 767,289**	**$ 452,000**	**$ 26,377,492**	**$ 540,585**	**$ 174,059**	**$ 27,092,136**

Concentration of credit risk

The Corporation maintains various cash balances at one financial institution. The balances in the accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. From time to time during the period, the cash balances held at the institution exceeded the FDIC Insurance Limit. Management monitors the financial strength ratings of the institution on a periodic basis.

The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by regulatory bodies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, if any, to comply with a change.

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting for uncertainty in income taxes

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and state income tax and has been classified as other than a private foundation. Accordingly, no provision for federal and state taxes on revenue and income has been recognized in the accompanying financial statements.

Even though the Corporation is recognized as tax exempt, it still may be liable for tax on its unrelated business income (UBI). The Corporation evaluates uncertain tax positions through its review of the sources of income to identify UBI and certain other matters, including those which may affect its tax-exempt status. The effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2023 and 2022, the Corporation had no uncertain tax positions requiring accrual.

Most of the Properties are treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by their owners on their respective income tax returns. These entities' federal tax statuses as pass-through entities are based on their legal status as limited partnerships and limited liability companies. Accordingly, these entities are not required to take any tax positions in order to qualify as pass-through entities. These entities are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these Consolidated Financial Statements do not reflect a provision for income taxes and these entities have no other tax positions which they must consider for disclosure. There has been no interest or penalties recognized in the consolidated statements of activities or consolidated statements of financial position for the years ended December 31, 2023 and 2022. Generally, the federal and state returns are subject to examination for three years after the later of the original or extended due date or the date filed with the applicable tax authorities.

Fair value

The Corporation is subject to the provisions of the Fair Value Measurement topic of the FASB ASC 820-10 which provides guidance for assets and liabilities which are required to be measured at fair value and requires expanded disclosure for fair value measurement. The standard clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability and establishes the following fair value hierarchy:

> Level 1 - Inputs utilize quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access;
> Level 2 - Inputs may include quoted prices for similar assets or liabilities in active markets; and
> Level 3 - Unobservable inputs for the asset or liability based on the best available information.

Subsequent events

Management performed an evaluation of the Corporation's activity through June 27, 2024, the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through the date these consolidated financial statements were available to be issued except as disclosed in Notes 6 and 8.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year consolidated financial statement preparation. These reclassifications had no effect on the reported consolidated change in net assets of the Corporation.

NOTE 2-RESTRICTED CASH

The Properties have various cash balances which are segregated and restricted and consist of resident security deposits, replacement reserves, interest reserves, operating reserves, and other reserves which are required to be maintained by various operating, regulatory, or lending agreements. The Properties' designated restricted cash balances held as of December 31, 2023 and 2022, consisted of the following:

	2023	2022
Operating reserves	$ 3,712,173	$ 3,635,462
Replacement reserves	4,111,452	3,602,303
Security deposits	962,673	915,601
Construction reserves	10,606,039	897,184
Other reserves	1,906,050	1,898,930
	$21,298,387	$10,949,480

NOTE 3-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation manages its liquidity by providing sufficient funds for general expenditures in meeting liabilities and other obligations as they become due and maintains cash and cash equivalents that may be drawn upon as needed during the year to manage cash flow and make necessary expenditures. The Corporation's cash and cash equivalents is available within one year of the statements of financial position date to meet cash needs for general expenditures. The Corporation's available financial assets as of December 31, 2023 and 2022, consisted of the following:

	2023	2022
Cash and cash equivalents	$ 5,977,885	$ 7,636,526
Receivables	1,752,589	1,332,450
Less: board designated cash	(1,040,400)	(1,040,400)
Less: net assets with use Restrictions	(170,424)	(314,490)
	$ 6,519,650	$ 7,614,086

The board of directors designates 3 months of budgeted operating expenses as an operation reserve. The Properties' restricted cash may also be drawn upon in the event of financial distress, to make improvements to the properties or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In addition, the Corporation maintains a line of credit for additional liquidity.

NOTE 4-INVESTMENTS IN UNCONSOLIDATED PARTNERSHIPS

The Corporation and its affiliates hold investments in limited partnerships that are not consolidated. Each partnership is a California limited partnership organized for the purpose of developing and operating low-income housing. As a general partner in the partnerships, the Corporation is contingently liable for the obligations of the partnerships. Pursuant to the terms of the partnership agreements, limited partners are responsible only for initial capital contributions. As a result, the Corporation may be required to arrange for additional funds related to the rehabilitation or operating needs of the partnerships.

The following is a summary of the financial information of Corporation's equity interest in limited partnerships not controlled by the Corporation and accounted for in accordance with the equity method:

Investments
At December 31, 2023

Entity	Assets	Liabilities	Income (Loss)	HCHC Equity
La Brea Franklin, LP	$ 2,156,588	$ 7,912,775	$(250,423)	-0-
Palm Vista, LP	50,768,867	47,142,564	(1,401,549)	-0-
Western Carlton Apartments, LP	6,190,304	5,287,567	(2,315)	-0-
Western Carlton II, LP	7,953,614	8,806,706	(291,450)	-0-
Venice Dell, LP	3,697,668	3,697,668	-0-	-0-

Investments
At December 31, 2022

Entity	Assets	Liabilities	Income (Loss)	HCHC Equity
La Brea Franklin, LP	$ 2,294,228	$ 7,795,588	$(279,061)	-0-
Palm Vista, LP	32,283,530	29,254,727	432	-0-
Western Carlton Apartments, LP	6,391,869	5,472,237	45,398	-0-
Western Carlton II, LP	8,114,712	8,631,547	(362,109)	-0-
Venice Dell, LP	2,588,902	2,588,902	-0-	-0-

NOTE 5-UNAMORTIZED COSTS

Certain Properties incurred costs including California Tax Credit Allocation (TCAC) monitoring fees which are being amortized over 10-15 year terms using the straight-line method.

NOTE 6-MORTGAGES AND NOTES PAYABLE

HCHC Notes

	2023	2022
Note payable to US Bank in the original amount of $500,000. The note bears interest at the reference rate plus 0.5% per annum and matures June 2024, which was subsequently extended to April 2025. Interest only payments are required monthly.	$ -	$ -
Note payable to Wells Fargo in the original amount of $500,000. The note was amended in 2021, bears simple interest at 2% per annum and matures December 2027. Interest only payments are required quarterly through April 2026. Thereafter, quarterly principal payments of $62,500 are required in addition to interest payments.	$ 500,000	$ 500,000
Note payable to City of Los Angeles Housing Department (HCIDLA) in the original amount of $3,132,000. The note bears simple interest at 5% per annum and matures November 2061. Annual payments are due from residual receipts, as defined. The note is secured by a deed of trust on the real property and assignment of rents.	$ 3,132,000	$ 3,132,000
Note payable to the City of Los Angeles in the original amount of $1,113,875. The note bears simple interest at 5% per annum and matures October 2030. Annual payments are due from residual receipts, as defined. The note is secured by a deed of trust on the real property.	$ 1,113,875	$ 1,113,875
Note payable to the City of Los Angeles in the original amount of $1,240,715. The note bears simple interest at 5% per annum and matures November 2038. Annual payments are due from 77.54% of residual receipts, as defined. The note is secured by a deed of trust on the real property.	$ 1,190,715	$ 1,190,715
Note payable to City National Bank in the original amount of $400,000. The note is non-interest bearing and matures November 15, 2072. Unpaid amounts are due at the maturity date. The note is secured by a deed of trust on the real property.	$ 400,000	$ 400,000
Note payable to City National Bank in the original amount of $480,000. The note is non-interest bearing and matures December 16, 2071. Unpaid amounts are due at the maturity date. The note is secured by a deed of trust on the real property.	$ 480,000	$ 480,000

	2023	2022
Note payable to City National Bank in the original amount of $890,000. The note is non-interest bearing and matures July 1, 2036. Unpaid amounts are due at the maturity date. The note is secured by a deed of trust on the real property.	$ 890,000	$ 890,000
Note payable to Bank of America in the original amount of $530,000. The note is non-interest bearing and matures December 1, 2074. Unpaid amounts are due at the maturity date. The note is secured by a deed of trust on real property.	$ 530,000	$ 530,000
Note payable to City National Bank in the original amount of $620,000. The note is non-interest bearing and matures April 14, 2079. Unpaid amounts are due at the maturity date. The note is secured by a deed of trust on real property.	$ 620,000	$ -
Note payable to Nonprofit Finance Fund in the original amount of $1,500,000. The note bears simple interest at 5.50% per annum and matures September 27, 2024.	$ 1,500,000	$ 1,500,000

Principal payments for the next five year and thereafter are approximately as follows:

2024	$ 1,500,000
2025	-
2026	187,500
2027	312,500
2028	-
Thereafter	8,356,590
	$10,356,590

Debt issuance costs incurred by the Corporation through December 31, 2023 and 2022 in connection with obtaining long term financing totaled $15,000 and $15,000, respectively. Amortization expense for the years ended December 31, 2023 and 2022, totaled $5,000 and $5,000 and is included in interest on the statement of activities, respectively. Accumulated amortization at December 31, 2023 and 2022 totaled $15,000 and $10,000, respectively.

Wholly Owned Entities Notes

	2023	2022
Note payable to the CRA/LA (Orchard Gables) in the original amount of $1,910,915. The note bears simple interest at 3% per annum and matures January 2031. If the property continues to operate in accordance with the loan agreement, as defined, the lender forgives 5% of any unpaid principal and interest. This determination is made on an annual basis. The note is secured by a deed of trust on the real property.	$ 761,218	$ 856,763
Note payable to the City of Los Angeles (Argyle Court) in the original amount of $437,479. The note bears simple interest at 5% per annum and is subject to interest forgiveness at the end of the loan term. The note matures March 2037 or at the time of sale or refinance. The Partnership is required to make annual payments from residual receipts, as defined. The note is secured by a deed of trust on real property.	$ 435,498	$ 435,498
Note payable to the City of Los Angeles (Argyle Court) in the original amount of $1,200,000. The note is non-interest bearing and matures March 2037 or at the time of sale or refinance. The Partnership is required to make annual payments from residual receipts, as defined. The note is secured by a deed of trust on the real property.	$ 1,200,000	$ 1,200,000
Note payable to the City of Los Angeles (Argyle Court) in the original amount of $135,000. The note is non-interest bearing and matures at the time of sale or refinance. The Partnership is required to make annual payments from residual receipts, as defined. The note is secured by a deed of trust on the real property.	$ 135,000	$ 135,000
Amortizing notes payable to various lenders at differing amounts. The notes bear interest ranging from 4.00% to 8.45% per annum and have maturity dates ranging from May 2026 to December 2038. The notes (7 in 2023, 6 in 2022) are secured by deeds of trust on real property.	$ 5,434,531	$ 5,640,649
Eighteen non-amortizing notes payable to various lenders at differing amounts. The notes bear interest ranging from zero to 5.96% per annum and have maturity dates ranging from August 2025 to September 2081. Principal and interest payments from residual receipts are required, as defined. The notes are secured by deeds of trust on real property.	$ 32,824,470	$ 22,675,701

	2023	2022
Two non-amortizing notes payable to HUD under Section 811 of the Housing Act in the original amount of $3,514,300. The notes are non-interest bearing. Notes are subject to loan forgiveness if the properties continue to operate in accordance with the loan agreements.	$ 3,514,300	$ 3,514,300
Five non-amortizing notes payable to various lenders at differing amounts. The notes bear interest ranging from zero to 5% per annum and have maturity dates ranging from April 2031 to December 2043. Principal and interest payments from residual receipts are required, as defined. The notes are secured by deeds of trust on real property.	$ 2,712,290	$ 2,712,290
Two notes payable to Century Housing Corporation (Walnut Park) in the original amount of $3,500,000 and $1,500,000. The notes bear compound interest at the LIBOR rate + 4% with a minimum rate of 6.5% per annum due monthly. The notes matured April 30, 2023 after extension at which date an unpaid principal and interest were due. On April 30, 2023, the loan was paid in full with other permanent financing sources.	$ -	$ 4,956,607
Note payable to Banner Bank (Walnut Park) in the original amount of $30,249,774. The note bears interest at SOFR rate + 2.15% with a minimum of 3.15% per annum due monthly. The interim construction loan maturity date is December 14, 2025. Upon conversion to a term loan, monthly principal and interest payments will be required over a 20 year period. The term loan will bear an interest rate of 6.52%.	$ 12,281,034	$ -
Note payable to Century Housing Corporation (Peak Plaza) in the original amount of $6,375,000. The note bears compound interest at the SOFR rate + 4.5% with a minimum rate of 6% per annum due monthly. The note matures August 2024 at which date all unpaid principal and interest are due.	$ 6,156,971	$ 5,615,000
Note payable to Local Initiatives Support Corporation (Peak Plaza) in the original amount of $1,000,000. The note bears interest at a rate of 2.9% per annum due monthly. The note matures August 2024 at which date all unpaid principal and interest are due.	$ 584,973	$ 56,778

	2023	2022
Note payable to Local Initiatives Support Corporation (Peak Plaza) in the original amount of $500,000. The note bears interest at a rate of 5.75% per annum due monthly. The note matures August 2024 at which date all unpaid principal and interest are due.	$ 430,378	$ 85,864

Principal payments for the next five year and thereafter after eliminations are approximately as follows:

2024	$ 319,415
2025	19,784,946
2026	315,933
2027	3,558,898
2028	257,386
Thereafter	42,234,086
	$66,470,664

Controlled Limited Partnership Notes

	2023	2022
Nine amortizing notes payable to various lenders at differing amounts. The notes bear interest ranging from 4.47% to 6.20% per annum and have maturity dates ranging from August 2030 to November 2054. The notes are secured by deeds of trust on real property.	$ 17,733,562	$ 18,335,641
Non-amortizing notes payable to various lenders at differing amounts. The notes bear interest ranging from zero to 6% per annum and have maturity dates ranging from December 2025 to April 2076. Principal and interest payments from residual receipts are required, as defined. The notes (45 in 2023, 44 in 2022) are secured by deeds of trust on real property.	$132,939,912	$124,288,566

Principal payments for the next five year and thereafter after eliminations are approximately as follows:

2024	$ 621,908
2025	14,205,845
2026	689,924
2027	733,794
2028	759,428
Thereafter	133,662,576
	$150,673,475

NOTE 7-REFUNDABLE ADVANCES

In connection with the development of Palm Vista Apartments, the Corporation's affiliate HCHC Palm Vista IIG, LLC entered into an Infill Infrastructure Grant Program (IIG) agreement with the Department of Housing and Community Development (HCD), a public agency of the State of California, for a grant totaling $4,186,800. Pursuant to ASC 958-605, management determined that the grant is a conditional contribution as a result of donor-imposed restrictions and as such should be accounted for as a refundable advance until all conditions or events have been met or waived by the donor, which occurred during the year ended December 31, 2023 when the construction of Palm Vista Apartments was completed. As of December 31, 2023 and 2022, $3,800,370 and $3,640,603, respectively, had been drawn on the grant and contributed to HCHC Palm Vista IIG, LLC. As of December 31, 2023 and 2022, $0 and $3,640,603 was included in refundable advances on the consolidated statements of financial position. During the years ended December 31, 2023 and 2022, $3,800,370 and $0 was recognized as government contracts and grants on the consolidated statement of activities.

In connection with the development of Luna Vista Apartments, the Corporation entered into a IIG agreement with HCD for a grant totaling $3,407,000. Pursuant to ASC 958-605, management determined that the grant is a conditional contribution as a result of donor-imposed restrictions and as such should be accounted for as a refundable advance until all conditions or events have been met or waived by the donor, which management expects to occur during the year ended December 31, 2024 when the construction of Luna Vista Apartments has been completed. As of December 31, 2023 and 2022, $2,662,438 and $0, respectively, had been drawn on the grant and contributed to the Corporation and was included in refundable advances on the consolidated statements of financial position.

In connection with the development of Walnut Park Apartments, the Corporation entered into a IIG agreement with HCD for a grant totaling $3,094,300. Pursuant to ASC 958-605, management determined that the grant is a conditional contribution as a result of donor-imposed restrictions and as such should be accounted for as a refundable advance until all conditions or events have been met or waived by the donor, which management expects to occur during the year ended December 31, 2024 when the construction of Walnut Park Apartments has been completed. As of December 31, 2023 and 2022, $2,215,974 and $0, respectively, had been drawn on the grant and contributed to the Corporation and was included in refundable advances on the consolidated statements of financial position.

NOTE 8-RELATED PARTIES

Development income

The Corporation provides services in connection with the development of various Properties. These contracts are at times subject to investor or regulatory agency approval and performance standards. For the years ended December 31, 2023 and 2022, development fee revenue before eliminations totaled $2,780,846 and $660,000, respectively.

Management and partnership fee income

The Corporation provides services in connection with the management of various Properties. These contracts are at times subject to investor or regulatory agency approval and performance standards. For the years ended December 31, 2023 and 2022, management fee revenue before eliminations totaled $755,567 and $568,732, respectively.

Palm Vista notes receivable

The Corporation's affiliate HCHC Palm Vista IIG, LLC has executed a loan agreement with Palm Vista, LP in the maximum amount of $4,186,800, bearing no interest, and maturing in 2060. At December 31, 2023 and 2022, funds loaned and receivable totaled $3,800,370 and $3,640,603, respectively.

The Corporation has executed a loan agreement with Palm Vista, LP in the amount of $890,000, bearing no interest, and maturing in 2079. At December 31, 2023 and 2022, funds loaned and receivable totaled $890,000.

The Corporation has executed a loan agreement with Palm Vista, LP in the amount of $1,500,000, bearing at 5.5% per annum, compounded monthly, and maturing in 2024. At December 31, 2023 and 2022, funds loaned and receivable totaled $1,500,000 and $0, respectively. Palm Vista, LP repaid the loan in full in May 2024.

NOTE 9-RETIREMENT PLAN

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

On July 1, 2022, HCHC began 100% matching employees' contributions to their 403(b) funds, up to 3% of the employee's salary. Matching funds portion of the contributions vest over 3 years. Employee participation in the program is 98% and 95% as of December 21, 2023 and 2022, respectively.

NOTE 10-COMMITMENTS AND CONTINGENCIES

Guarantees

As general partner or managing member of various entities, the Corporation or affiliates have made certain guarantees. Guarantees typically include the following:

- To ensure the completion of project development and obtain permanent financing
- To guaranty the reimbursement of investor limited partner in the event of tax credit recapture
- To lend funds to the partnership to fund any operating deficits during various terms outlined in partnership and debt agreements

As of December 31, 2023 and 2022, the Corporation had ongoing development completion guaranty agreements on Luna Vista and Walnut Park. The estimated development budgets for Luna Vista and Walnut Park total $49.6 million and $49.7 million, of which approximately $27 million and $21 million were incurred as of December 31, 2023, all respectively.

Litigation

The Corporation is subject to lawsuits and claims which arise out of the normal course of its activities. Management believes the disposition of any and all such actions of which it is aware will not have a material effect on the financial position or changes in net assets of the Corporation.

Low-income housing tax credits

Certain Properties received allocations of low-income housing tax credits. The awards of the low-income 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 Corporation or its affiliates, as the general partner, is responsible to ensure that the Properties satisfy such requirements as part of its guarantees, as defined in the partnership agreements.

Contingent interest

Three Properties (Dunning Apartments, St. Andrews Community, and Argyle Court) have loan and regulatory agreements with the City of Los Angeles which provide for possible forgiveness of interest at the end of the note's 40-year term in the event the fair market value of the property (as defined) exceeds the principal balance of the note plus all superior indebtedness secured against the property. Accordingly, interest on the notes have not been accrued in the accompanying consolidated financial statements because the future fair market value of the property at loan maturity is not expected to be sufficient. At December 31, 2023 and 2022, the Corporation is contingently liable for the cumulative amount of unpaid interest that could be due on the note, which approximated $3,699,000 and $3,518,000, respectively, if the fair market value of the properties is sufficient at loan maturity.

The deferral provisions related to the accrual of interest expense discussed above, and as stipulated in the respective loan agreements remain in effect only as long as the properties are operated and maintained as low-income housing and the Properties comply 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.

Joint and several liability

The Corporation's wholly owned affiliate Walnut Park Apartments, LP was awarded Housing for a Healthy California Program (HHC) funds and California Housing Accelerator (Accelerator) funds from the State of California. Both programs are administered by HCD. The Corporation, as sponsor, agreed to share joint and several liability with Walnut Park Apartments, LP for all the obligations of a recipient as set forth in the agreements.

NOTE 11-CORRECTION OF ERRORS AND RECLASSIFICATION

During the year ended December 31, 2023, management determined that the consolidated financial statements as of and for the year ended December 31, 2022 required restatement for the correction of errors. Management determined that the IIG grant received by HCHC Palm Vista IIG, LLC should have been treated as a refundable advance rather than as government contracts and grants revenue as this grant was conditional. Additionally, certain prior year amounts were reclassified to conform to the current year consolidated financial statement presentation.

The correction of these errors resulted in an adjustment of $(3,640,603) to the change in net assets previously stated for the year ended December 31, 2022, which was previously $(8,395,436). As a result of the correction of errors, the following balances were restated:

1. Refundable advances, net of current portion was restated to $3,640,603 (previously $0);
2. Net assets without donor restrictions was restated to $93,465,736 (previously $97,106,339);
3. Government contracts and grants was restated to $804,901 (previously $3,973,865).

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)

SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

ASSETS

	HCHC Corp.	Wholly Owned	Controlled Entities	Eliminations	Total
Current assets					
Cash, equivalents, and restricted cash					
Cash	$ 4,003,680	$ 805,721	$ 1,168,527	$ -	$ 5,977,928
Restricted reserves	153,462	12,268,982	8,875,943	-	21,298,387
Total cash , equivalents, and restricted cash	**4,157,142**	**13,074,703**	**10,044,470**	**-**	**27,276,315**
Resident receivables	2,211	151,613	585,356	-	739,180
Prepaid expenses	19,302	144,328	363,691	-	527,321
Total current assets	**4,178,655**	**13,370,644**	**10,993,517**	**-**	**28,542,816**
Property and equipment					
Land	-	12,942,556	29,727,153	-	42,669,709
Buildings and improvements	1,300,234	67,025,663	261,103,291	(11,383,105)	318,046,083
Furniture and equipment	413,245	1,526,189	3,817,080	-	5,756,514
Construction in progress	201,904	23,283,450	27,013,395	(2,513,619)	47,985,130
	1,915,383	**104,777,858**	**321,660,919**	**(13,896,724)**	**414,457,436**
Less: Accumulated depreciation	(774,773)	(38,199,016)	(44,389,374)	1,146,375	(82,216,788)
Total property and equipment	**1,140,610**	**66,578,842**	**277,271,545**	**(12,750,349)**	**332,240,648**
Other assets					
Developer fee receivable, non current	3,989,307	-	-	(2,722,657)	1,266,650
Grants and contracts receivable	109,625	-	-	-	109,625
Notes and other related party receivables	25,195,438	3,800,370	-	(21,898,370)	7,097,438
Investments in partnerships	3,183,581	-	-	(3,183,581)	-
Unamortized costs, net	-	-	384,130	-	384,130
Right-of-use-asset	-	36,301	-	-	36,301
Other assets	10,000	23,581	35,220	-	68,801
Total other assets	**32,487,951**	**3,860,252**	**419,350**	**(27,804,608)**	**8,962,945**
	$37,807,216	**$83,809,738**	**$288,684,412**	**$ (40,554,957)**	**$369,746,409**

SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

ASSETS

	HCHC Corp.	Wholly Owned	Controlled Entities	Eliminations	Total
Current assets					
Cash, equivalents, and restricted cash					
Cash	$ 4,423,347	$ 1,374,566	$ 1,838,613	$ -	$ 7,636,526
Restricted reserves	153,102	4,282,718	6,513,660	-	10,949,480
Total cash , equivalents, and restricted cash	**4,576,449**	**5,657,284**	**8,352,273**	**-**	**18,586,006**
Resident receivables	1,562	163,193	545,034	-	709,789
Prepaid expenses	34,484	84,063	230,001	-	348,548
Total current assets	**4,612,495**	**5,904,540**	**9,127,308**	**-**	**19,644,343**
Property and equipment					
Land	-	12,942,556	29,727,153	-	42,669,709
Buildings and improvements	1,300,234	66,997,618	261,095,111	(11,383,105)	318,009,858
Furniture and equipment	413,245	1,390,434	3,746,908	-	5,550,587
Construction in progress	862	7,758,034	10,259,534	(844,959)	17,173,471
	1,714,341	**89,088,642**	**304,828,706**	**(12,228,064)**	**383,403,625**
Less: Accumulated depreciation	(716,140)	(36,530,350)	(36,867,159)	804,492	(73,309,157)
Total property and equipment	**998,201**	**52,558,292**	**267,961,547**	**(11,423,572)**	**310,094,468**
Other assets					
Developer fee receivable, non current	2,307,379	-	-	(2,307,379)	-
Grants and contracts receivable	267,732	-	-	-	267,732
Notes and other related party receivables	19,896,147	3,640,603	-	(18,624,261)	4,912,489
Investments in partnerships	3,057,047	-	-	(3,057,047)	-
Unamortized costs, net	-	-	419,803	-	419,803
Right-of-use-asset	-	36,772	-	-	36,772
Other assets	10,000	23,581	35,220	-	68,801
Total other assets	**25,538,305**	**3,700,956**	**455,023**	**(23,988,687)**	**5,705,597**
	$31,149,001	**$62,163,788**	**$277,543,878**	**$ (35,412,259)**	**$335,444,408**

HOLLYWOOD COMMUNITY HOUSING CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)

SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

LIABILITIES AND NET ASSETS

	HCHC Corp.	Wholly Owned	Controlled Entities	Eliminations	Total
Current liabilities					
Accounts payable and accrued expenses	$ 193,001	$ 438,370	$ 554,764	$ (230,995)	$ 955,140
Accounts payable - construction	-	3,267,466	7,123,589	-	10,391,055
Prepaid revenue	350,924	48,483	110,370	(339,423)	170,354
Accrued interest - current	-	142,691	504,052	-	646,743
Mortgages and notes payable - current maturities	1,500,000	319,415	621,908	-	2,441,323
Total current liabilities	**2,043,925**	**4,216,425**	**8,914,683**	**(570,418)**	**14,604,615**
Deposit liabilities					
Security deposits	**7,500**	**324,991**	**562,889**	**-**	**895,380**
Long term liabilities					
Mortgages and notes payable, net of current maturities	-	5,876,334	17,111,654	-	22,987,988
Mortgages and notes payable (deferred)	8,856,590	65,415,478	145,720,270	(17,920,920)	202,071,418
Less: Unamortized debt issuance costs	-	(105,794)	(1,044,972)	-	(1,150,766)
Refundable advance	4,878,412	-	-	-	4,878,412
Due to affiliates - long-term	-	2,306,891	1,219,045	(3,523,926)	2,010
Accrued interest - long-term	-	17,373,645	23,337,565	(1,118,412)	39,592,798
Developer fee payable	-	51,385	3,060,387	(3,111,772)	-
Total long term liabilities	**13,735,002**	**90,917,939**	**189,403,949**	**(25,675,030)**	**268,381,860**
Total liabilities	**15,786,427**	**95,459,355**	**198,881,521**	**(26,245,448)**	**283,881,855**
Net assets - without donor restrictions					
Controlling interest	21,850,365	(11,649,617)	1,031,240	(14,309,509)	(3,077,521)
Non-controlling interest	-	-	88,771,651	-	88,771,651
Net Assets - with donor restrictions	**170,424**	**-**	**-**	**-**	**170,424**
Total net assets - without donor restrictions	**22,020,789**	**(11,649,617)**	**89,802,891**	**(14,309,509)**	**85,864,554**
	$37,807,216	**$83,809,738**	**$288,684,412**	**$ (40,554,957)**	**$369,746,409**

LIABILITIES AND NET ASSETS

	HCHC Corp.	Wholly Owned	Controlled Entities	Eliminations	Restated Total
Current liabilities					
Accounts payable and accrued expenses	$ 198,861	$ 335,925	$ 179,651	$ (139,756)	$ 574,681
Accounts payable - construction	-	55,401	698,360	-	753,761
Prepaid revenue	11,501	145,375	100,751	-	257,627
Accrued interest - current	-	174,214	441,851	-	616,065
Mortgages and notes payable - current maturities	1,500,000	5,533,934	598,206	-	7,632,140
Total current liabilities	**1,710,362**	**6,244,849**	**2,018,819**	**(139,756)**	**9,834,274**
Deposit liabilities					
Security deposits	**6,000**	**312,979**	**553,356**	**-**	**872,335**
Long term liabilities					
Mortgages and notes payable, net of current maturities	-	6,190,085	17,737,435	-	23,927,520
Mortgages and notes payable (deferred)	8,236,590	38,465,021	134,406,485	(12,422,509)	168,685,587
Less: Unamortized debt issuance costs	(5,000)	(113,267)	(1,140,473)	-	(1,258,740)
Refundable advance	-	3,640,603	-	-	3,640,603
Due to affiliates - long-term	-	4,715,592	1,133,693	(5,828,181)	21,104
Accrued interest - long-term	-	16,387,300	20,673,555	(1,119,356)	35,941,499
Developer fee payable	-	51,385	2,319,739	(2,371,124)	-
Total long term liabilities	**8,231,590**	**69,336,719**	**175,130,434**	**(21,741,170)**	**230,957,573**
Total liabilities	**9,947,952**	**75,894,547**	**177,702,609**	**(21,880,926)**	**241,664,182**
Net assets - without donor restrictions					
Controlling interest	20,886,559	(13,730,759)	1,577,842	(13,531,333)	(4,797,691)
Non-controlling interest	-	-	98,263,427	-	98,263,427
Net Assets - with donor restrictions	**314,490**	**-**	**-**	**-**	**314,490**
Total net assets - without donor restrictions	**21,201,049**	**(13,730,759)**	**99,841,269**	**(13,531,333)**	**93,780,226**
	$31,149,001	**$62,163,788**	**$277,543,878**	**$ (35,412,259)**	**$335,444,408**

STATEMENTS OF ACTIVITIES

	HCHC Corp.	Wholly Owned	Controlled Entities	Eliminations	Total
Revenues					
Net rental income	$ 500	$ 5,344,566	$ 8,916,498	$ -	$ 14,261,564
Contribution income	96,219	-	-	-	96,219
Government contracts and grants	286,380	3,800,370	-	-	4,086,750
Special events income	144,034	-	-	-	144,034
Development income	2,780,846	-	-	(1,514,196)	1,266,650
Management and partnership fee income	755,767	-	-	(736,550)	19,217
Interest income, net	89,637	12,005	46,248	(30,052)	117,838
Investment income	306,178	-	-	(277,085)	29,093
Other income	215,171	465,400	238,088	(196,996)	721,663
Total revenue	**4,674,732**	**9,622,341**	**9,200,834**	**(2,754,879)**	**20,743,028**
Operating expenses					
Administration	451,947	585,746	1,294,225	(216,100)	2,115,818
Management fees	-	317,355	503,957	(390,930)	430,382
Salaries and benefits	3,149,577	944,556	1,455,405	-	5,549,538
Utilities	12,830	656,709	1,094,729	-	1,764,268
Repairs and maintenance	19,881	1,495,026	2,014,893	-	3,529,800
Taxes and insurance	61,070	366,172	715,042	-	1,142,284
Total operating expenses	**3,695,305**	**4,365,564**	**7,078,251**	**(607,030)**	**14,532,090**
Income (loss) from operations before debt maintenance and other expenses	**979,427**	**5,256,777**	**2,122,583**	**(2,147,849)**	**6,210,938**
Debt maintenance					
Interest expense	101,050	1,281,429	4,220,620	(143,918)	5,459,181
Total debt maintenance	**101,050**	**1,281,429**	**4,220,620**	**(143,918)**	**5,459,181**
Income (loss) from operations before other expenses	**878,377**	**3,975,348**	**(2,098,037)**	**(2,003,931)**	**751,757**
Other expenses					
Depreciation and amortization	58,633	1,668,666	7,586,440	(341,883)	8,971,856
Other entity expenses	-	214,642	240,613	(345,620)	109,635
Total other expenses	**58,633**	**1,883,308**	**7,827,053**	**(687,503)**	**9,081,491**
Change in net assets	**$ 819,744**	**$ 2,092,040**	**$ (9,925,090)**	**$ (1,316,428)**	**$ (8,329,734)**

SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2022

STATEMENTS OF ACTIVITIES

	HCHC Corp.	Wholly Owned	Controlled Entities	Eliminations	Restated Total
Revenues					
Net rental income	$ -	$ 4,829,866	$ 8,440,168	$ -	$ 13,270,034
Contribution income	281,201	-	-	-	281,201
Government contracts and grants	804,901	-	-	-	804,901
Special events income	5,612	-	-	-	5,612
Development income	660,000	-	-	(660,000)	-
Management and partnership fee income	568,732	-	-	(568,732)	-
Interest income, net	216,885	3,168	13,903	(214,235)	19,721
Investment income	8,159	-	-	(8,159)	-
Other income	346,251	443,773	521,237	(164,994)	1,146,267
Total revenue	**2,891,741**	**5,276,807**	**8,975,308**	**(1,616,120)**	**15,527,736**
Operating expenses					
Administration	501,822	600,945	1,092,774	(164,994)	2,030,547
Management fees	-	281,855	483,385	(127,442)	637,798
Salaries and benefits	2,530,591	843,174	1,393,911	-	4,767,676
Utilities	11,751	587,761	974,171	-	1,573,683
Repairs and maintenance	15,237	1,410,360	1,774,924	-	3,200,521
Taxes and insurance	51,535	248,727	466,988	-	767,250
Total operating expenses	**3,110,936**	**3,972,822**	**6,186,153**	**(292,436)**	**12,977,475**
Income (loss) from operations before debt maintenance and other expenses	**(219,195)**	**1,303,985**	**2,789,155**	**(1,323,684)**	**2,550,261**
Debt maintenance					
Interest expense	91,542	1,289,553	4,226,898	(180,346)	5,427,647
Total debt maintenance	**91,542**	**1,289,553**	**4,226,898**	**(180,346)**	**5,427,647**
Income (loss) from operations before other expenses	**(310,737)**	**14,432**	**(1,437,743)**	**(1,143,338)**	**(2,877,386)**
Other expenses					
Depreciation and amortization	54,192	1,654,750	7,598,496	(690,209)	8,617,229
Other entity expenses	-	241,539	216,589	(388,343)	69,785
Total other expenses	**54,192**	**1,896,289**	**7,815,085**	**(1,078,552)**	**8,687,014**
Change in net assets	**$ (364,929)**	**$ (1,881,857)**	**$ (9,252,828)**	**$ (64,786)**	**$ (11,564,400)**