

**BUTTE COUNTY AFFORDABLE HOUSING
DEVELOPMENT CORPORATION
Board of Directors Regular Meeting
2039 Forest Avenue
Chico, CA 95928**

MEETING AGENDA

May 18, 2017
2:00 p.m.

The Board of Directors welcomes and encourages public participation in the Board meetings. Members of the public may be heard on any items on the Directors' agenda. A person addressing the Directors will be limited to 5 minutes unless the Chairperson grants a longer period of time. Comments by members of the public on any item on the agenda will only be allowed during consideration of the item by the Directors. Members of the public desiring to be heard on matters under jurisdiction of the Directors, but not on the agenda, may address the Directors during agenda item 6.

If you are disabled and need special assistance to participate in this meeting, please contact the Housing Authority office at 895-4474. Notification at least 48 hours prior to the meeting will enable the Board of Directors to make reasonable arrangements.

NEXT RESOLUTION NO. 17-1C

ITEMS OF BUSINESS

1. ROLL CALL
2. AGENDA AMENDMENTS
3. CONSENT CALENDAR
 - 3.1 Minutes of Meeting on February 16, 2016.
 - 3.2 BCAHDC financial report
 - 3.3 Tax Credit report
 - 3.3.1 Walker Commons 2017 HOME AUDIT Summary
 - 3.3.2 1200 Park Ave 2017 HOME AUDIT Summary
 - 3.3.3 Gridley Springs I Monthly Operating Statement
 - 3.4 Cordillera Apartments report
4. CORRESPONDENCE
5. REPORTS FROM PRESIDENT
 - 5.1 Gridley Springs I Audit Report – Accept FY2016 Audit Report.

Recommendation:

Motion

- | Recommendation: | Motion |
|-----------------|--------|
|-----------------|--------|

- | Recommendation: | Motion |
|-----------------|--------|
|-----------------|--------|

- Next meeting – August 17, 2017.**

- 2

**BUTTE COUNTY AFFORDABLE HOUSING
DEVELOPMENT CORPORATION**

Board of Directors Meeting

2039 Forest Avenue
Chico, CA 95928

MEETING MINUTES

February 16, 2017

Director Moravec called the meeting of Butte County Affordable Housing Development Corporation (BCAHDC) to order at 2:48 p.m.

1. ROLL CALL

Present for Directors: Kate Anderson, Patricia Besser, Larry Hamman, Roger Hart, Anne Jones, Laura Moravec, and David Pittman.

Others Present: Chief Financial Officer Sue Kemp, Executive Secretary Marysol Perez, Deputy Director Larry Guanzon, Administrative Operations Director Tamra Young, and Public Housing Resident Loren Freeman.

2. AGENDA AMENDMENTS

Secretary Perez, informed those present that item 5.2 Chico Housing Development – CHIP partnership, should not be on the agenda; item was entered in error.

3. CONSENT CALENDAR

Director Hamman moved that the Consent Calendar be accepted as presented. Director Hart seconded. The vote in favor was unanimous.

4. CORRESPONDENCE

None.

5. REPORTS FROM PRESIDENT

- 5.1 Corporate Services Agreement – The Corporate Services Agreement between HACB and Butte County Affordable Housing Development Corporation (BCAHDC) sets out both the rates of compensation and a contract maximum, BCAHDC seeks acceptance of the rates effective March 1, 2017. The HACB also seeks to maintain its contract maximum, which is currently set at \$15,000 per year, extending from October 1, 2016 through September 30, 2017.

MOTION

Director Jones moved to accept HACB's proposed billing rates, such rates to become effective March 1, 2017, and to further accept continuance of the total annual compensation authorization in an amount not to exceed \$15,000.00 for the year extending from October 1, 2016 through September 30, 2017. Director Anderson seconded. The vote in favor was unanimous.

The vote in favor was unanimous.

6. MEETING OPEN FOR PUBLIC DISCUSSION

None.

7. MATTERS CONTINUED FOR DISCUSSION

None.

8. SPECIAL REPORTS

None.

9. REPORTS FROM DIRECTORS

None.

10. MATTERS INITIATED BY DIRECTORS

None.

11. EXECUTIVE SESSION

None.

12. DIRECTOR'S CALENDAR

Next Meeting – May 18, 2017.

13. ADJOURNMENT

Director Hamman moved that the meeting be adjourned. Director Hart seconded. The meeting was adjourned at 3:03 p.m.

Dated: February 16, 2017.

Edward S. Mayer, President

ATTEST:

Marysol Perez, Secretary

18

BCAHDC GENERAL FUND
BALANCE SHEET
March 31, 2017

***** A S S E T S *****

Current Assets

Cash-Unrestricted	99,609
Accounts Receivable-Misc	52,318
Tenant Security Deposits	0
Investments-Unrestricted	250,000
Investments-Restricted	0
Interprogram Due From Cordillera	354
Total Current Assets	402,281

Fixed Assets

Land	0
Buildings	0
Appliances - Dwelling units	0
Accumulated Depreciation	0
Total Fixed Assets	0

Other Assets

Prepaid Expenses	0
Organizational Costs, Net of Amortization	0
Note Receivable - Chico Valley View Partners	300,000
Investment in 1200 Park Avenue, L.P.	-402
Investment in Chico Harvest Park, L.P.	-140
Investment in DHI-DFA Gridley Springs Associates, L.P.	-3
Investment in Walker Commons, L.P.	198,792
Total Other Assets	498,247

TOTAL ASSETS

900,528

***** LIABILITIES AND EQUITY *****

Current Liabilities

Accounts Payable	5,669
Accrued Interest Payable	0
Interprogram Due to Cordillera	200,000 <i>for CVVP loan</i>
Accrued Fees due to HACB	10,175
CVVP Interest Reserves	842
Total Current Liabilities	216,686

Long-Term Liabilities

Long-Term Debt, Net of Current	0
Total Long-Term Liabilities	0

TOTAL LIABILITIES

216,686

Equity

Prior Year Equity Balance	660,042
Retained Earnings	23,800
Total Equity	683,842

TOTAL EQUITY

683,842

TOTAL LIABILITIES AND EQUITY

900,528

a

BCAHDC - GENERAL FUND
OPERATING STATEMENT
October 1, 2016 to March 31, 2017

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actuals</u>	<u>Variance</u>
REVENUE			
Investment Income	1,800	6,898	-5,098
Misc. Income	0	6,480	-6,480
Partnership Fees*	<u>37,779</u>	<u>28,757</u>	<u>9,022</u>
TOTAL REVENUE	39,579	42,135	-2,556
EXPENSES			
Audit & Accounting Fees	3,000	2,450	550
Corporate Services	18,500	5,690	12,810
Consulting Fees	5,000	0	5,000
Legal Expenses	3,000	0	3,000
Misc. Admin. Expenses	1,000	0	1,000
Outside Management Fees**	40,700	10,175	30,525
Partnership Losses	500	0	500
Taxes and Fees	<u>80</u>	<u>20</u>	<u>60</u>
TOTAL EXPENSES	71,780	18,335	53,445
NET INCOME	-32,201	23,800	-56,001

MEMO

Date: May 12, 2017

To: BCAHDC Board of Directors

From: Larry Guanzon, Deputy Executive Director

Subject: Status Report – LIHTC Properties & Cordillera Apartments

- Walker Commons Apartments, Chico (56 units, LIHTC, senior/disabled)
- 1200 Park Avenue Apartments, Chico (107 units, LIHTC, senior)
- Harvest Park Apartments, Chico (90 units, LIHTC, family)
- Gridley Springs I Apartments, Gridley (32 units, LIHTC, family)
- Cordillera Apartments, Chico (20 units, family)

Walker Commons Apartments, Chico (56 units, LIHTC, Senior & Disabled, MGP: BCAHDC, PM: AWI) – The property at this time has decreased its vacancy to one (1) unit. Nancy Winter, the new on-site manager, is transitioning into her new role. A new maintenance person is still being sought by AWI. We had various areas where we had roof leaks and we are in the process of having a roofer assess and repair. We are looking at fencing the resident garden area due to destructive impacts from the homeless, including sanitation issues and loss of plants. ADA parking lot improvements and buildings siding replacements are being planned for 2017. Management is working with AWI on a transition plan to a no-smoking policy for the property.

1200 Park Avenue Apartments, Chico (107 units, LIHTC, Senior, MGP: BCAHDC, PM: Winn Residential) – This property currently has no (0) vacancies. The property has stabilized under the work of Site Manager Roberto Rojas. Winn Residential has requested a management fee increase; we are investigating current market management fees and structures.

Harvest Park Apartments, Chico (90 units, LIHTC, Family, MGP: BCAHDC, PM Winn Residential) – Harvest Park currently has zero (0) vacancies. The property continues operations per budget. A new on-site manager has been hired, by the name of Sarah Bercher. The former manager, Jennifer Dormandy, has been transferred to Parkside Terrace Apts, Chico, another WinnResidential-managed property not affiliated with the HACB.

Gridley Springs I Apartments, Gridley (24 units, LIHTC, Family, MGP: BCAHDC, PM: US Residential) – There currently is no (0) vacancy at the property. A drive by shooting occurred recently and we are awaiting the report from the police department and USRG, our 3rd party management company. No one was injured but we believe the exterior of the building saw damage. Please see the brief USRG monthly owner's report, following.

Cordillera Apartments, Chico (20 units, Family, Owner: BCAHDC, PM: RSC Assoc.) The property has no (0) vacancies at this time. Please find RSC Associates' monthly report following. We will continue to make capital improvements as cash flow allows: replacing patios railings and exterior windows, and completing exterior painting, all targeted to upgrade the property's curb appeal and valuation.

WALKER COMMONS

BALANCE SHEET

March 31, 2017

***** A S S E T S *****

Current Assets

Cash - Unrestricted	258,922
Cash - Restricted Reserves	285,200
Cash - Tenant Security Deposits	24,062
Accounts Receivable - Misc.	0
Accounts Receivable - Tenants	3,834
Allowance for Doubtful Accounts	-2,294
Prepaid Expenses	1,941
Total Current Assets	571,665

Fixed Assets

Land	600,000
Buildings	2,711,451
Furniture and Equipment	75,044
Accumulated Depreciation	-1,540,518
Total Fixed Assets	1,845,977

Other Assets

Fees net of amortization	5,133
Total Other Assets	5,133

TOTAL ASSETS 2,422,775

***** L I A B I L I T I E S A N D E Q U I T Y *****

Current Liabilities

Accounts Payable	5,830
Accrued Liabilities	10,207
Accrued Interest Payable - Current	3,750
Prepaid Rent	3,987
Tenant Security deposits	24,062
Total Current Liabilities	47,836

Long-Term Liabilities

Accrued Interest Payable - Net of Current	86,382
Long-Term Debt - Note Payable	500,000
Total Long-Term Liabilities	586,382

TOTAL LIABILITIES 634,218

Equity

Partner's Equity	1,747,628
Retained Earnings	40,929
Total Equity	1,788,557

TOTAL EQUITY 1,788,557

TOTAL LIABILITIES AND EQUITY 2,422,775

2

WALKER COMMONS INCOME STATEMENT
March 31, 2017

YTD %
25.00

	Month to Date			Year to Date			
	Actual	Budget	Remaining	Actual	Budget	Remaining	% used
REVENUES							
Potential Dwelling Rent	97,325	32,635	64,690	97,325	391,620	-294,295	24.85
Vacancy Loss	-2,090	-653	-1,437	-2,090	-7,832	5,742	26.69
Manager's Unit - moved to expense	0	0	0	0	0	0	0.00
Net Dwelling Rent	95,235	31,982	63,253	95,235	383,788	-288,553	24.81
Tenant Charges	105	375	-270	105	4,500	-4,395	2.33
Laundry Revenue	1,069	225	844	1,069	2,700	-1,631	39.59
Investment Income	15	25	-10	44	300	-256	14.75
TOTAL REVENUES	96,424	32,607	63,817	96,453	391,288	-294,835	24.65
EXPENSES							
Advertising	0	46	-46	0	550	-550	0.00
Audit Fee	1,142	381	761	1,142	4,568	-3,426	25.00
Credit & Collection Expense	37	67	-30	37	800	-763	4.61
Franchise Tax Board Fee	0	67	-67	0	800	-800	0.00
Insurance-Liability/Property	1,984	661	1,323	1,984	7,936	-5,952	25.00
Legal Fees	0	63	-63	0	750	-750	0.00
Management Fees	6,552	2,296	4,256	6,552	27,552	-21,000	23.78
Misc. Admin. Costs	26	208	-182	41	2,500	-2,459	1.64
Office Supplies	3,560	292	3,268	3,560	3,500	60	101.71
Partnership Expense	1,875	625	1,250	1,875	7,500	-5,625	25.00
Property Taxes & Assessments	0	10	-10	0	120	-120	0.00
Resident Services/Supplies	76	250	-174	76	3,000	-2,924	2.55
Security Services	0	33	-33	0	400	-400	0.00
Telephone	513	120	393	513	1,440	-927	35.62
Training	491	67	425	491	800	-309	61.40
Total Admin Costs	16,256	5,185	11,071	16,271	62,216	-45,945	26.15
Site Manager: Salary & Free Rent	4,508	3,585	924	4,508	43,014	-38,506	10.48
Site Maintenance: Salary	0	3,181	-3,181	0	38,176	-38,176	0.00
Payroll Taxes & Benefits	884	0	884	884	0	884	0.00
Total Salary and Benefits	5,393	6,766	-1,373	5,393	81,190	-75,797	6.64
Electricity	1,340	533	807	1,340	6,400	-5,060	20.94
Gas	451	125	326	451	1,500	-1,049	30.08
Water and Sewer	3,691	2,167	1,524	3,691	26,000	-22,309	14.19
Total Utilities-Project	5,482	2,825	2,657	5,482	33,900	-28,418	16.17
Landscape Maintenance	3,070	1,875	1,195	3,070	22,500	-19,430	13.64
Maintenance Materials	694	625	69	694	7,500	-6,806	9.26
Other Maintenance Contracts	2,983	625	2,358	2,983	7,500	-4,517	39.77
Trash Removal	200	206	-6	200	2,472	-2,272	8.09
Unit Turnover Maintenance	0	0	0	0	0	0	0.00
Total Maintenance Costs	6,947	3,331	3,616	6,947	39,972	-33,025	17.38
Capital Improvements (Expensed)	1,377	833	544	1,377	10,000	-8,623	13.77
Extraordinary Maintenance	0	0	0	0	0	0	0.00
Depreciation & Amortization	16,304	6,074	10,229	16,304	72,892	-56,588	22.37
Interest Expense-Chico	3,750	1,250	2,500	3,750	15,000	-11,250	25.00
Bad Debt-Tenants	0	208	-208	0	2,500	-2,500	0.00
Total Other Expenses	21,431	8,366	13,065	21,431	100,392	-78,961	21.35
TOTAL EXPENSES	55,509	26,472	29,037	55,524	317,670	-262,146	17.48
RETAINED EARNINGS							
+ Deprec & Amort	16,304	6,074	10,229	16,304	72,892	-56,588	22.37
- Capital Improvements/Replcmnts	0	4,167	-4,167	0	50,000	-50,000	0.00
- Debt Payments	0	0	0	0	0	0	0.00
- Transfer to Reserves	2,800	0	2,800	2,800	0	2,800	0.00
NET CASH FLOW	54,419	8,043	46,376	54,433	96,510	-42,077	56.40

1200 PARK AVENUE L.P.
BALANCE SHEET
March 31, 2017

***** A S S E T S *****

Current Assets

Cash - Operating	65,923
Cash - Petty Cash	0
Cash - Replacement Reserve	249,567
Cash - Security Deposits	38,109
Accounts Receivable-Tenants	-2,255
Accounts Receivable-Other	0
Prepaid Expenses	7,479
Total Current Assets	358,823

Fixed Assets

Land	629,523
Buildings	18,372,150
Furniture & Equipment	133,119
Accumulated Depreciation	-5,028,905
Total Fixed Assets	14,105,887

Other Assets

Tax Credit & Organizational Fees, Net of Amort.	49,165
Total Other Assets	49,165

TOTAL ASSETS	14,513,875
---------------------	-------------------

***** L I A B I L I T I E S A N D E Q U I T Y *****

Current Liabilities

Accounts Payable	65
Accrued Expenses	15,461
Accrued Interest Payable - Current	18,375
Prepaid Rent	3,188
Tenant Security & Key Deposits	36,603
Total Current Liabilities	73,692

Long-Term Liabilities

Accrued Fees	16,724
Accrued Interest Payable - Net of Current	484,214
Loan Payable - HACB	1,104,578
Loan Payable - City of Chico	3,675,000
Loan Payable - CITIBANK/Berkadia	1,959,295
Total Long-Term Liabilities	7,239,811

TOTAL LIABILITIES	7,313,503
--------------------------	------------------

Equity

Partner's Equity	7,283,846
Retained Earnings	-83,474
Total Equity	7,200,372

TOTAL EQUITY	7,200,372
---------------------	------------------

TOTAL LIABILITIES AND EQUITY	14,513,875
-------------------------------------	-------------------

62

1200 PARK AV INCOME STATEMENT
March 31, 2017

YTD %
25.00

	Month to Date			Year to Date			% used
	Actual	Budget	Remaining	Actual	Budget	Remaining	
REVENUES							
Potential Dwelling Rent	62,419	61,095	1,324	186,771	733,140	-546,369	25.48
Vacancy Loss	-234	-1,000	766	-1,259	-11,994	10,735	10.50
Staff Rent Free Unit	0	0	0	0	0	0	0.00
Net Dwelling Rent	62,185	60,096	2,090	185,512	721,146	-535,634	25.72
Tenant Charges	1,102	369	733	1,452	4,425	-2,973	32.81
Laundry Income	813	1,000	-187	2,813	12,000	-9,187	23.44
Interest Income	16	6	10	23	74	-51	31.18
TOTAL REVENUES	64,117	61,470	2,646	189,800	737,645	-547,845	25.73
EXPENDITURES							
Audit Fee	0	381	-381	0	4,568	-4,568	0.00
Franchise Tax Fee	0	67	-67	0	800	-800	0.00
Insurance-Property/Liability/Flood	1,328	1,338	-10	4,790	16,058	-11,268	29.83
Legal Expense	0	100	-100	430	1,200	-770	35.83
Management Fee	3,904	3,028	877	9,745	36,333	-26,588	26.82
Marketing & Renting Expenses	115	142	-27	132	1,704	-1,572	7.74
Misc. Administrative	679	609	70	-295	7,313	-7,608	-4.03
Office Supplies & Contracts	177	961	-784	3,402	11,529	-8,127	29.51
Property Taxes	22	22	0	67	264	-197	25.55
Resident Supplies	205	499	-294	427	5,989	-5,562	7.14
Telephone	647	645	2	2,580	7,740	-5,160	33.33
Travel & Training	320	121	199	337	1,457	-1,120	23.10
Total Administrative Costs	7,398	7,913	-515	21,616	94,955	-73,339	22.76
Administrative Salaries	7,238	3,141	4,096	14,436	37,694	-23,258	38.30
Maintenance Salaries	2,936	4,346	-1,411	9,215	52,154	-42,939	17.67
Payroll Taxes & Fringe Benefits	3,492	3,147	344	8,965	37,767	-28,802	23.74
Total Salary & Benefits	13,665	10,635	3,030	32,617	127,615	-94,998	25.56
Electricity	3,167	3,950	-783	10,181	47,400	-37,219	21.48
Gas	95	72	23	450	865	-415	52.04
Water & Sewer	3,911	3,583	328	10,029	43,000	-32,971	23.32
Total Utilities	7,174	7,605	-432	20,660	91,265	-70,605	22.64
Elevator Maintenance	0	689	-689	1,506	8,273	-6,767	18.20
Janitorial Maint. & Supplies	106	1,713	-1,607	2,339	20,550	-18,211	11.38
Landscape Maint. & Supplies	990	1,338	-348	2,970	16,060	-13,090	18.49
Maintenance Supplies	422	500	-78	666	6,000	-5,334	11.11
Maint. Repairs Contracts	346	1,344	-998	2,125	16,130	-14,005	13.17
Security Contract & Supplies	376	638	-261	1,810	7,652	-5,842	23.66
Unit Turnover Costs	0	367	-367	0	4,400	-4,400	0.00
Trash Removal	830	850	-20	2,581	10,200	-7,619	25.31
Total Maintenance Costs	3,070	7,439	-4,369	13,998	89,265	-75,267	15.68
Bad Debt Expense	0	175	-175	555	2,100	-1,545	26.43
Capital Improvements (Expensed)	235	2,058	-1,823	235	24,700	-24,465	0.95
Depreciation & Amortization	38,983	38,983	0	116,948	467,792	-350,844	25.00
Interest Expense-Mortgage	11,614	11,517	97	34,904	138,199	-103,295	25.26
Total Other	50,831	52,733	-1,901	152,642	632,791	-480,149	24.12
TCM & SM Fees (prior yr excess cash)	0	0	0	0	0	0	0.00
Accr. Interest-City of Chico	6,125	6,125	0	18,375	73,500	-55,125	25.00
Accr. Interest-HACB	4,455	4,581	-126	13,365	54,971	-41,606	24.31
Accr. Interest-Def Dev Fee	0	0	0	0	0	0	0.00
Accr. Annual Admin & Social Serv. Fees	0	1,011	-1,011	0	12,131	-12,131	0.00
Total Accrued Expenses	10,580	11,717	-1,137	31,740	140,602	-108,862	22.57
TOTAL EXPENSES	92,718	98,041	-5,323	273,274	1,176,493	-903,219	23.23
RETAINED EARNINGS	-28,601	-36,571	7,970	-83,474	-438,848	355,374	19.02
+ Depreciation & Amortization	38,983	38,983	0	116,948	467,792	-350,844	25.00
- Capital Expenditures (Assets)	-1,107	0	-1,107	-4,207	0	-4,207	0.00
- Loan Principal Payments	3,581	3,656	-75	10,680	43,877	-33,197	24.34
+ Accrued Expenses	10,580	11,717	-1,137	31,740	140,602	-108,862	22.57
- Reserve Usage/Payments	-2,685	-623	-2,063	-8,035	-7,471	-564	107.56
NET OPERATING CASH FLOW	13,589	9,850	3,739	42,293	118,198	-75,905	35.78

Balance Sheet (With Period Change)

Period = Mar 2017

Book = Accrual,Audit ; Tree = bs first

HARVEST PARK

	Balance Current Period	Beginning Balance	Net Change
ASSETS			
CASH UNRESTRICTED			
Cash - Operating	41,991	235,852	-193,861
Petty Cash	500	500	0
Cash - Reserve	10,728	9,995	733
TOTAL CASH UNRESTRICTED	53,219	246,347	-193,128
DEVELOPMENT CASH			
Cash - Development	72,844	72,844	0
TOTAL DEVELOPMENT CASH	72,844	72,844	0
CASH RESTRICTED			
Cash - Security Deposit	53,100	53,600	-500
TOTAL CASH RESTRICTED	53,100	53,600	-500
RESIDENT A/R			
Reserve for Uncollectible A/R	-16,983	-16,983	0
Accounts Receivable -Residents	24,014	31,736	-7,722
TOTAL RESIDENT A/R	7,031	14,753	-7,722
SUBSIDY A/R			
AR Subsidy Suspense Clearing	-19,844	-28,282	8,438
Accounts Receivable - Local Housing Authority	16,347	13,896	2,452
TOTAL SUBSIDY A/R	-3,497	-14,386	10,890
DEFERRED ORGANIZATIONAL EXP			
Tax Credit Fee	44,727	44,727	0
Amortization Tax Credit Fee	-8,954	-8,954	0
TOTAL DEFERRED ORG EXP	35,773	35,773	0
RESERVE FOR REPLACEMENT			
Escrow - Replacement Reserve	84,927	82,594	2,332
TOTAL RESERVE FOR REPLACEMENT	84,927	82,594	2,332
MORTGAGE ESCROW DEPOSITS			
Escrow - Taxes	2,323	56	2,267
Escrow - Insurance	34,739	32,477	2,263
Escrow Operations	250,000	250,000	0
Escrow - Other	1,625	1,625	0
Escrow - Equity Accounts	3,207	3,207	0
Esc-Capital Interest Account	6,039	6,039	0
Escrow - Loan Account	20,833	20,833	0
TOTAL MORTGAGE ESCROW DEPOSITS	318,767	314,237	4,530
PROPERTY AND EQUIPMENT			
Land	1,375,634	1,375,634	0
Building	11,974,275	11,974,275	0
Building Improvements	2,082,769	2,082,769	0
Carpet Flooring	13,466	13,466	0
Furniture & Fixtures	1,288,474	1,287,691	783
Appliances	2,044	2,044	0
TOTAL PROPERTY AND EQUIPMENT	16,736,662	16,735,879	783

Balance Sheet (With Period Change)

Period = Mar 2017

Book = Accrual,Audit ; Tree = bs first

	Balance Current Period	Beginning Balance	Net Change
ACCUMULATED DEPRECIATION			
Res for Deprec - Building	-2,089,128	-2,089,128	0
TOTAL ACCUMULATED DEPRECIATION	-2,089,128	-2,089,128	0
PREPAID EXPENSES AND DEPOSITS			
Prepaid Insurance	0	2,429	-2,429
Prepaid Benefits	1,048	1,048	0
TOTAL PREPAID EXPENSES AND DEPOSITS	1,048	3,478	-2,429
TOTAL ASSETS	15,270,746	15,455,990	-185,245
LIABILITIES			
MORTGAGE NOTES PAYABLE			
Mortgage Payable -1st Mortgage	-8,787,500	-8,791,667	4,167
Debt Issuance Costs #1	447,994	447,994	0
Accum Amort - Debt Issuance Costs #1	-129,370	-129,370	0
TOTAL MORTGAGE NOTES PAYABLE	-8,468,876	-8,473,043	4,167
ACCOUNTS PAYABLE			
Accounts Payable-Project Impr	-11,260	-11,260	0
Accounts Payable - Entity	-5,328	-5,328	0
Accounts Payable - Other	-5,950	-5,950	0
A/P Trade	-1,255	-4,828	3,573
TOTAL ACCOUNTS PAYABLE	-23,793	-27,366	3,573
ACCRUED EXPENSES			
Accrued Mortgage Interest	-11,402	-11,402	0
Accrued Interest #2	-714,354	-714,354	0
Accrued Interest #4	-13,701	-37,293	23,592
Accrued Management Fee Payable-Other	-3,223	-3,223	0
Accrued Real Estate Taxes	-1,162	-774	-387
Accrued Auditing Fee	-11,300	-11,300	0
Accrued Workers Com	-11,021	-9,995	-1,026
Accrued Utility Expense	-10,920	-10,920	0
Pymt on accrd int-Other Loan, from prior yr funds	192,123	0	192,123
Accrued Investor Service Fee	-35,500	-35,500	0
Accrued Incentive Mgmt Fee	-20,000	-20,000	0
Accrued Asset Management Fee	-12,173	-12,173	0
Accrued Expense Payroll	-3,384	-3,384	0
TOTAL ACCRUED EXPENSES	-656,017	-870,318	214,301
OTHER LIABILITIES			
Loan Payable	-4,250,000	-4,250,000	0
Loan Payable	-646,248	-617,395	-28,853
Escheatment Liabilities	-131	-131	0
TOTAL OTHER LIABILITIES	-4,896,380	-4,867,526	-28,853
SECURITY DEPOSIT LIABILITY			
Security Deposit Liability	-51,600	-52,100	500
TOTAL SEC DEPOSIT LIABILITY	-51,600	-52,100	500

Balance Sheet (With Period Change)

Period = Mar 2017

Book = Accrual,Audit ; Tree = bs first

	Balance Current Period	Beginning Balance	Net Change
PREPAID REVENUE			
Prepaid Rent	-5,249	-7,157	1,908
TOTAL PREPAID REVENUE	-5,249	-7,157	1,908
 TOTAL LIABILITIES	 -14,101,915	 -14,297,510	 195,596
 PARTNERS EQUITY			
PARTNERS EQUITY			
Partner's Equity	1,280,215	1,280,215	0
Partner's Equity - Related	-3,194,300	-3,194,300	0
Syndication Costs	40,573	40,573	0
Retained Earnings	704,681	715,032	-10,351
TOTAL PARTNERS EQUITY	-1,168,831	-1,158,480	-10,351
 TOTAL PARTNERS EQUITY	 -1,168,831	 -1,158,480	 -10,351
 TOTAL LIAB AND PARTNER EQUITY	 -15,270,746	 -15,455,990	 185,245

Budget Comparison

Period = Mar 2017

Book = Accrual ; Tree = is_cashbal1

HARVEST PARK - BUDGET COMPARISON

	PTD Actual	PTD Budget	Variance	% Var	YTD Actual	YTD Budget	Variance	% Var	Annual
OPERATING INCOME									
Rental Income	72,029	68,251	3,778	6	205,168	204,753	415	0	819,012
Vacancy	-3,884	-1,449	-2,435	-168	-7,096	-4,709	-2,388	-51	-17,748
Bad Debt	0	0	0	N/A	0	-500	500	100	-2,000
Other Income	690	755	-65	-9	1,429	1,952	-524	-27	7,810
TOTAL OPERATING INCOME	68,835	67,557	1,278	2	199,501	201,497	-1,996	-1	807,074
OPERATING EXPENSES									
Renting Expenses	739	283	-456	-161	947	1,035	87	8	3,608
Administrative Expenses	12,401	9,037	-3,364	-37	40,117	30,001	-10,116	-34	111,990
Utility Expense	1,684	5,378	3,694	69	12,901	15,729	2,828	18	66,366
Operating and Maint Exp	12,035	9,874	-2,162	-22	25,532	28,955	3,423	12	112,392
Taxes and Insurance	6,067	7,196	1,129	16	17,627	18,707	1,080	6	69,700
Activities	1,924	238	-1,686	-708	2,246	764	-1,482	-194	4,856
TOTAL OPERATING EXPENSES	34,850	32,006	-2,844	-9	99,371	95,190	-4,181	-4	368,913
NET OPERATING INCOME (LOSS)	33,985	35,551	-1,566	-4	100,130	106,307	-6,177	-6	438,162
NON OPERATING INCOME (EXPENSES)									
Financial Expenses	-23,655	-18,408	-5,247	-29	-60,517	-55,285	-5,231	-9	-220,795
Income from Investments	0	1	-1	-100	0	3	-3	-100	11
Mortgagor Income (Expenses)	21	0	21	N/A	0	0	0	N/A	-39,051
TOTAL NON OPER INCOME (EXPENSES)	-23,634	-18,407	-5,226	-28	-60,517	-55,283	-5,234	-9	-259,834
TAXABLE INCOME (LOSS)	10,351	17,144	-6,793	-40	39,613	51,024	-11,411	-22	178,327
CASH FLOW ADJUSTMENTS:									
Mortgage Payable	-4,167	-4,167	0	0	-12,500	-12,500	0	0	-50,000
Capital Expenditures	-783	0	-783	N/A	101	-2,750	2,851	104	-7,000
Res for Replacement Funding	-2,332	-2,333	0	0	-6,998	-6,999	2	0	-27,996
Reserve for Replacement Interest	0	0	0	100	0	-1	1	100	-5
Accrued Interest on Deferred Loans	-23,592	0	-23,592	N/A	-23,592	0	-23,592	N/A	0
Mortgagor Expenses	-21	0	-21	N/A	0	0	0	N/A	-39,051
TOTAL CASH FLOW ADJUSTMENTS:	-30,895	-6,500	-24,395	-375	-42,988	-22,250	-20,738	-93	-124,052
NET CASH FLOW	-20,544	10,643	-31,188	-293	-3,375	28,774	-32,149	-112	54,275

Tuesday, April 18, 2017
05:50 PM

Budget Comparison

Period = Mar 2017

Book = Accrual ; Tree = is_cashbal1

	PTD Actual	PTD Budget	Variance	% Var	YTD Actual	YTD Budget	Variance	% Var	Annual
ADDITIONAL ADJ TO CASH FLOW									
Cash - Other	-733	0	-733	N/A	-2,199	0	-2,199	N/A	0
Accounts Payable	-3,573	0	-3,573	N/A	-5,571	0	-5,571	N/A	0
Resident Receivable	7,722	0	7,722	N/A	6,804	0	6,804	N/A	0
Subsidy Receivable	-10,890	0	-10,890	N/A	-6,954	0	-6,954	N/A	0
Net Prepaids	0	0	0	N/A	-1,048	0	-1,048	N/A	0
Prepaid Insurance	2,429	0	2,429	N/A	7,288	0	7,288	N/A	0
Accrued Real Estate Taxes	387	0	387	N/A	1,162	0	1,162	N/A	0
Net Accruals	1,026	0	1,026	N/A	-458	0	-458	N/A	0
Prepaid Tenant Rent	-1,908	0	-1,908	N/A	1,508	0	1,508	N/A	0
Security Deposits	0	0	0	N/A	600	0	600	N/A	0
Loan/Note Payable	28,853	0	28,853	N/A	28,853	0	28,853	N/A	0
Accrued Int Paid From Prior Year Surplus Cash	-192,123	0	-192,123	N/A	-192,123	0	-192,123	N/A	0
Escrow - Real Estate Taxes	-2,267	-12	-2,255	-18,793	-2,305	-36	-2,269	-6,302	-144
Escrow - Insurance	-2,263	-2,429	166	7	-6,788	-7,287	499	7	-30,246
Mortgagor Expenses	21	0	21	N/A	0	0	0	N/A	-39,051
TOTAL ADD'L CASH FLOW ADJUST:	-173,317	-2,441	-170,876	-7,000	-171,231	-7,323	-163,908	-2,238	-69,441
NET ADJUSTED CASH FLOW	-193,861	8,202	-202,064	-2,463	-174,606	21,451	-196,057	-914	-15,166
Net Change in Cash From TB	-193,861	0	193,861	N/A	-174,606	0	174,606	N/A	0
INCOME									
RENTAL INCOME									
5120-0000 Rental Income	44,429	68,251	-23,822	-35	157,862	204,753	-46,891	-23	819,012
5150-0000 Rental Assistance	23,218	0	23,218	N/A	42,924	0	42,924	N/A	0
5197-0000 Rent Adjustment	4,382	0	4,382	N/A	4,382	0	4,382	N/A	0
TOTAL RENTAL INCOME	72,029	68,251	3,778	6	205,168	204,753	415	0	819,012
VACANCY									
5218-0000 Free Rent-Marketing Concession	0	0	0	N/A	-150	0	-150	N/A	0
5220-0000 Vacancies - Apartment	-3,884	-1,449	-2,435	-168	-6,946	-4,709	-2,238	-48	-17,748
TOTAL VACANCY	-3,884	-1,449	-2,435	-168	-7,096	-4,709	-2,388	-51	-17,748

Tuesday, April 18, 2017

05:50 PM

Balance Sheet**GRIDLEY SPRINGS I**

Period = Mar 2017

Book = Accrual ; Tree = ysi_bs

Current Balance

10000-00	ASSETS	
10005-00	Cash and Cash Equivalents	
10021-00	USRG Operating Cash	98,939.02
10040-00	Cash - Property Level Security Deposits	12,578.71
10084-00	Cash - Restrictd Undisbursed	677,062.00
10087-00	Cash - First Republic Distribution	25,450.00
10280-00	Cash - Replacement Reserve	209,197.00
10285-00	Cash - Operating Reserve	85,000.00
10286-00	Cash - USDA Reserve	28,947.80
10295-00	Cash - Operating Deficit Reserve	120,000.00
10330-00	Cash - Reserve	65,691.58
10345-00	Cash - Restricted Reserve	20.00
10999-00	Total Cash and Cash Equivalents	1,322,886.11
11005-00	Restricted Cash	
11010-00	Deposits - Property Tax Escrow	760.83
11020-00	Deposits - Insurance Escrow	8,081.26
11050-00	Deposits - Replacement Reserve	35,704.25
11999-00	Total Restricted Cash	44,546.34
13000-00	Real Estate Inventory	
14000-00	Rental Real Estate	
14005-00	Land	
14010-00	Rental RE - Land	149,957.00
14015-00	Total Land	149,957.00
14019-00	Rental Real Estate	
14020-00	Rental RE - Land Improvements	165,810.00
14030-00	Rental RE - Buildings	3,137,787.00
14070-00	Rental RE - Furniture & Fixtures	373,940.00
14086-00	Total Rental Real Estate	3,677,537.00
14089-00	Accumulated Depreciation	
14090-00	Rental RE - Accumulated Depreciation	-326,168.00
14095-00	Total Accumulated Depreciation	-326,168.00
14199-00	Net Rental Real Estate	3,501,326.00
14999-00	Real Estate Inventory and Net Rental Real Estate	3,501,326.00
16007-00	Accounts Receivable	
17010-00	A/R - Base Rent	678.00
17030-00	A/R - Section 8 (HAP Contract)	49,838.41
17230-00	A/R - Other Management Fees	90.00
17990-00	A/R - Miscellaneous	100.00
17995-00	A/R - Miscellaneous Other	15,000.00
17999-00	Total Accounts Receivable	65,706.41
18000-00	Other Assets	
18005-00	Prepaid Expenses	
18070-00	Prepaid Property Insurance	1,463.50
18999-00	Total Prepaid Expenses	1,463.50
19005-00	Deposits and Other Assets	
19060-00	Deposits - Utility	200.00
19499-00	Total Deposits and Other Assets	200.00
19550-00	Deferred Financing Expenses	
19600-00	Deferred Borrowing Costs	66,675.00
19603-00	TCAC Fees	20,129.00
19899-00	Total Deferred Financing Expenses	86,804.00

Balance Sheet

Period = Mar 2017

Book = Accrual ; Tree = ysi_bs

		Current Balance
19950-00	Total Other Assets	88,467.50
19999-00	TOTAL ASSETS	5,022,932.36
20010-00	LIABILITIES	
21005-00	Trade Accounts Payable	
21012-00	A/P - Trade Accounts - Yardi	2,551.53
21020-00	Total Trade Accounts Payable	2,551.53
22000-00	Accrued Interest	
22005-00	Accrued Interest - 1st Mortgage	
22010-00	Accrued Interest - 1st Mortgage	1,347.00
22018-00	Total Accrued Interest - 1st Mortgage	1,347.00
22024-00	Accrued Interest - Other	
22025-00	Accrued Interest - 3rd Mortgage	49,400.00
22030-00	Accrued Interest - USDA	1,572.00
22340-00	LP Asset Mgmt Fee Payable	5,075.00
22998-00	Total Accrued Interest - Other	56,047.00
22999-00	Total Accrued Interest	57,394.00
23000-00	Accrued Property Taxes	
23010-00	Accrued Property Taxes	353.34
23999-00	Total Accrued Property Taxes	353.34
24000-00	Accounts Payable and Other Liabilities	
24020-00	Accrued Property Expenses	103.66
24038-00	Accrued Developer Fee	189,102.00
24990-00	A/P - Other	3,689.00
24991-00	Accrued Expense - Other	-240.00
25010-00	Prepaid Rent	745.00
25999-00	Total Accounts Payable and Other Liabilities	193,399.66
26001-00	Tenant Security Deposits	
26010-00	Security Deposits	12,578.71
26020-00	Security Deposits - Refunds Pending	-898.67
26029-00	Total Tenant Security Deposits	11,680.04
26710-00	1st Mortgage Principal - Residential	1,085,562.00
26728-00	Total 1st Mortgage Principal	1,085,562.00
26730-00	2nd Mortgage Principal - Residential	343,697.56
26739-00	Total 2nd Mortgage Principal	343,697.56
26750-00	3rd Mortgage Principal - Residential	677,062.00
26758-00	Total 3rd Mortgage Principal	677,062.00
26760-00	4th Mortgage Principal - Residential	2,080,000.00
26775-00	Total Other Mortgage Principal	2,080,000.00
26779-00	Total Mortgage Notes Payable	4,186,321.56
26780-00	Debt Issuance Costs	
26782-00	Accum Amort - Deferred Financing Charges	3,795.00
26789-00	Total Debt Issuance Costs	-3,795.00
27230-00	TOTAL LIABILITIES	4,455,495.13
27500-00	EQUITY	
27505-00	Shareholder Equity	
28110-00	Retained Earnings	
28200-00	Net Income/(Loss)	19,040.02
28260-00	Retained Earnings - Beginning of Year	-315,587.14
28759-00	Total Retained Earnings	-296,547.12

Balance Sheet

Period = Mar 2017

Book = Accrual ; Tree = ysi_bs

		Current Balance
28799-00	Partnership Capital	
28822-00	Capital - Limited Partner	926,184.00
28830-07	Capital - Syndication	-20,000.00
28840-00	Owners Capital - Distributions	37,959.35
28840-31	Capital - To/From Owner - Audit Entry	-80,159.00
28910-00	Total Partnership Capital	863,984.35
28995-00	Total Shareholder Equity	567,437.23
29998-00	TOTAL EQUITY	567,437.23
29999-00	TOTAL LIABILITIES & EQUITY	5,022,932.36

GRIDLEY SPRINGS I

Income Statement Summary

Gridley Springs
U.S. Residential Group LLC
As of March, 2017

4/7/2017
5:14 PM

Square Feet: 25,500
Units: 32

Tree: wc_js2

Revenue	March				Year-To-Date			
	Actual	%	Budget	Variance	Actual	%	Budget	Variance
Rent Per Schedule	\$ 24,421	108.2%	\$ 23,540	\$ 881	\$ 71,644	106.4%	\$ 70,620	\$ 1,024
Leases (Under) Over	(1,856)	-8.2%	(1,382)	(474)	(4,318)	-6.4%	(4,329)	11
Gross Possible Rent	22,565	100.0%	22,158	407	67,326	100.0%	66,291	1,035
Vacancy Loss	(526)	-2.3%	(235)	(291)	(2,281)	-3.4%	(706)	(1,575)
Other Rental Losses	(45)	-0.2%	-	(45)	(45)	-0.1%	-	(45)
Total Rental Losses	(571)	-2.5%	(235)	(336)	(2,326)	-3.5%	(706)	(1,620)
Net Rental Revenue	21,994	97.5%	21,923	71	65,000	96.5%	65,585	(585)
Other Revenue	325	1.4%	370	(45)	1,369	2.0%	1,110	259
Total Revenue	22,319	98.9%	22,293	26	66,369	98.6%	66,695	(326)
Operating Expenses								
Salaries	1,487	6.6%	3,386	1,899	12,572	18.7%	10,159	(2,413)
Management Fees	1,550	6.9%	1,600	50	4,650	6.9%	4,800	150
Property Administration	448	2.0%	678	230	2,900	4.3%	9,034	6,134
Leasing	-	0.0%	-	-	-	0.0%	250	250
Utilities	1,582	7.0%	1,600	18	6,049	9.0%	8,754	2,706
Services	1,927	8.5%	2,100	174	5,910	8.8%	6,300	390
Cleaning & Decorating	623	2.8%	496	(128)	807	1.2%	866	60
Repairs & Maintenance	983	4.4%	151	(832)	1,133	1.7%	453	(680)
Property Taxes	118	0.5%	342	224	(1,196)	-1.8%	1,025	2,221
Hazard Insurance	732	3.2%	732	0	2,195	3.3%	2,196	1
Total Operating Expenses	9,450	41.9%	11,085	1,635	35,020	52.0%	43,838	8,818
Net Operating Income	12,869	57.0%	11,208	1,661	31,348	46.6%	22,857	8,492
Property Replacement								
Recurring	84	0.4%	777	693	1,270	1.9%	960	(310)
Total Property Replacements	84	0.4%	777	693	1,270	1.9%	960	(310)
Interest Expense	3,686	16.3%	3,699	13	11,059	16.4%	11,097	38
Non-Operating Expenses	-	0.0%	-	-	(20)	0.0%	-	20
Net Income	\$ 9,099	40.3%	6,732	2,367	\$ 19,040	28.3%	10,800	8,240

March 7, 2017

Larry Guanzon
Housing Authority of the County of Butte
2039 Forest Avenue
Chico CA 95928

RE: Walker Commons, 2017 Property Owner Certification of Compliance with HOME Regulations

Dear Mr. Guanzon,

We have completed our HOME 2017 monitoring review of the above-referenced property in compliance with HOME regulation 24 CFR 92.504(d)(1)(ii)(C). Thank you for submitting the completed annual property owner certification. We do not have any questions or findings regarding this item.

Please let me know if you have any questions about the annual certification process. I can be reached at the email address above, or by phone at 530-513-3116.

Thank you,



James Coles
HOME Monitoring Consultant for the City of Chico

March 7, 2017

Larry Guanzon
Housing Authority of the County of Butte
2039 Forest Avenue
Chico CA 95928

RE: 1200 Park Avenue, 2017 Property Owner Certification of Compliance with HOME Regulations

Dear Mr. Guanzon,

We have completed our HOME 2017 monitoring review of the above-referenced property in compliance with HOME regulations 24 CFR 92.504(d)(1)(ii) (C) and 92.504(d)(2). Thank you for submitting the completed annual property owner certification and 2015 financial audit for the property. We do not have any questions or findings regarding either item.

Please let me know if you have any questions about the annual certification process. I can be reached at the email address above, or by phone at 530-513-3116.

Thank you,



James Coles
HOME Monitoring Consultant for the City of Chico

Gridley Springs
MONTHLY OPERATING STATEMENT
April 2017

Number of Units: 32
Square Feet: 25,500

Gridley Springs
Gridley, CA 95948

U.S. RESIDENTIAL GROUP LLC

U.S. Residential Group

Table of Contents

- 1) Monthly Status Report
- 2) Variance Report
- 3) Income Statement Summary
- 4) Income Statement by Month
- 5) Income Statement Detail
- 6) Income Statement Statistics
- 7) Cash Flow
- 8) Lost Rent
- 9) Balance Sheet
- 10) General Ledger
- 11) Bank Reconciliations
- 12) Check Register
- 13) Accounts Payable
- 14) Monthly Transaction Summary
- 15) Transaction Summary by Unit
- 16) Rent Roll Report

Monthly Status/Narrative Report

Property: Gridley Springs I	Month/Year: April 2017
Location/Address: 210 Ford Ave	Total Sq. Feet/Units:
Management Company: US Residential	Phone: 530-846-6201
Prepared By: Dwayne Wesley	Reviewed By: Dan Lisenby

Prior Month Occupancy: 94.00%

Month End Occupancy 94.00%

Staff:

Operations at the property are secure with Dwayne Wesley as Community Manager. At this time the Maintenance position is open for hire.

Major Developments during Period Affecting Property:

The operating period closed with the property at 94.00% occupancy. At the end of the month there was one unit vacant, preleased, move-in delayed due to a medical emergency.

Repairs were completed on the vacant unit, with the current status rent ready.

During this period management focus centered on compliance interviews for annual household certifications on tax credit and rural development reporting.

Prioritized Management Goals:

1. Maintain Occupancy percentage.
2. Process move-ins timely and strictly follow application guidelines.
3. Daily inspection of property and vacant units to ensure cleanliness and to monitor ready unit inventory.
4. Complete re-certifications in a timely manner.
5. Collect on delinquent rent.
6. Maintain curb appeal.
7. Provide prompt response to all maintenance issues and emergencies.

Gridley Springs I Apartments
Monthly Income Statement Variances
April 2017

Revenue (Negative Variance)

The unfavorable variance is due to a vacant unit.

Operating Expenses (Positive Variance)

Salary Expense (Positive Variance)

Property Administration (Positive Variance)

Leasing Expense (Negative Variance)

The unfavorable balance is due to cost associated with necessary supplies.

Utilities (Negative Variance)

The unfavorable balance is due to increasing cost associate with electric charges.

Service Expense (Negative Variance)

The unfavorable balance is due to cost associated with delayed billing.

Cleaning and Decorating (Negative Variance)

The unfavorable variance is due to cost for vacant unit turn supplies.

Repairs and Maintenance (Positive Variance)

Recurring Replacements (Positive Variance)

Non- Recurring Replacements (Negative Variance)

The unfavorable balance is due to emergency exterior electrical repairs to made underground for carport lighting.

Income Statement Summary
Gridley Springs
U.S. Residential Group LLC
As of April, 2017

Square Feet:	25,500
Units:	32

Tree: wc_is2

Revenue	April				Year-To-Date			
	Actual	%	Budget	Variance	Actual	%	Budget	Variance
Rent Per Schedule	\$ 23,120	103.6%	\$ 23,540	\$ (420)	\$ 94,764	105.7%	\$ 94,160	\$ 604
Leases (Under) Over	(794)	-3.6%	(1,339)	545	(5,112)	-5.7%	(5,668)	556
Gross Possible Rent	22,326	100.0%	22,201	125	89,652	100.0%	88,492	1,160
Vacancy Loss	(680)	-3.0%	-	(680)	(2,961)	-3.3%	(706)	(2,255)
Other Rental Losses	-	0.0%	-	-	(45)	-0.1%	-	(45)
Total Rental Losses	(680)	-3.0%	-	(680)	(3,006)	-3.4%	(706)	(2,300)
Net Rental Revenue	21,646	97.0%	22,201	(555)	86,646	96.6%	87,786	(1,140)
Other Revenue	613	2.7%	370	243	1,982	2.2%	1,480	502
Total Revenue	22,259	99.7%	22,571	(312)	88,628	98.9%	89,266	(638)
Operating Expenses								
Salaries	2,428	10.9%	3,386	958	15,000	16.7%	13,546	(1,454)
Management Fees	1,550	6.9%	1,600	50	6,200	6.9%	6,400	200
Property Administration	877	3.9%	678	(199)	3,777	4.2%	9,712	5,935
Leasing	70	0.3%	-	(70)	70	0.1%	250	180
Utilities	3,054	13.7%	1,524	(1,531)	9,103	10.2%	10,278	1,175
Services	4,227	18.9%	2,100	(2,127)	10,137	11.3%	8,400	(1,737)
Cleaning & Decorating	931	4.2%	371	(560)	1,737	1.9%	1,237	(500)
Repairs & Maintenance	-	0.0%	151	151	1,133	1.3%	604	(529)
Property Taxes	118	0.5%	342	224	(1,078)	-1.2%	1,367	2,444
Hazard Insurance	732	3.3%	732	0	2,927	3.3%	2,928	1
Total Operating Expenses	13,987	62.6%	10,884	(3,103)	49,007	54.7%	54,721	5,715
Net Operating Income	8,273	37.1%	11,688	(3,415)	39,621	44.2%	34,545	5,076
Property Replacement								
Recurring	414	1.9%	216	(197)	1,683	1.9%	1,176	(507)
Non Recurring	1,729	7.7%	-	(1,729)	1,729	1.9%	-	(1,729)
Total Property Replacements	2,143	9.6%	216	(1,926)	3,412	3.8%	1,176	(2,236)
Interest Expense	3,685	16.5%	3,699	14	14,744	16.4%	14,796	52
Non-Operating Expenses	-	0.0%	-	-	(20)	0.0%	-	20
Net Income	\$ 2,445	11.0%	7,773	(5,327)	\$ 21,485	24.0%	18,572	2,913

May 11, 2017

Mr. Ed Mayer, Executive Director
Housing Authority of the County of Butte
2039 Forest Avenue, Suite 10
Chico, CA 95928

RE: CORDILLERA APARTMENTS

Dear Ed:

Please find enclosed for your review the following financial information for the month that ended April 30, 2017. This statement is accompanied by the following financial statements for the Cordillera Apartments.

1. Project Cash Flow and Bank Account Summary, Budget Comparison, General Ledger, Trial Balance and Tenant Rent Roll.
2. 12 Month Income Statement
3. 2016/2017 Performance Review.
4. 2016/2017 Turnover Analysis.
5. Capital Improvement Summary.

Cordillera Apartments ended the month of April with no vacant units as the property had no new move-ins or move-outs.

The total rental income for the month of April was \$12,240.00 which was above budget by \$75.00. This variance was due to below budget vacancy loss which was offset by higher unpaid rent. The total service income for the month came to \$188.53 which was slightly below budget by \$12.47. This brought the total income for the month of April to \$12,428.53 and \$62.53 higher than budget for the reasons previously mentioned.

Moving on to the monthly expenses, you will see that the renting expenses totaled \$41.89 which was below budget by \$85.11 due to no advertising expense and the forms/office supplies coming in lower than anticipated. Total administrative expenses came to \$1,762.86 and over budget by \$44.86. The operating expenses came in at \$2,180.86 which was under budget by \$425.14, with most lines at or under budget. There were no apartment turnover expenses for the month. Total

Mr. Ed Mayer, Executive Director
Chico, California

May 11, 2017
Page 2

maintenance expenses came to \$2,036.27, under budget by \$423.73. This variance was mainly due to less than expected repairs – labor and servicing required during the month. With the annual insurance premium payment less than anticipated offset slightly by the payment of the second installment of property taxes, brought the net operating income for the month to \$619.08 and better than budget by \$7,308.08 for the reasons described above.

The capital improvement costs for the month came in higher than budget at a total of \$2,082.75, \$982.75 more than anticipated. We replaced a countertop in Unit #49-2 at a cost of \$1,382.75 along with the repair of the water line in Unit #49-1 totaling \$700.00. This brought the net project cash flow to a negative \$1,463.67, better than budget by \$6,325.33.

As you review the Cash Balance Summary on of Page 3 of the Cash Flow Statement for April, you will see that the property ended the month with total cash on hand of \$12,373.86 and consisted of \$3,000.00 in the general checking account, \$9,363.55 in the general savings account and \$10.31 in the replacement reserve account. This balance reflects a \$20,000.00 distribution to you from the general savings account.

Please give me a call if you have any questions regarding the Cordillera Apartments.

Sincerely yours,

CORDILLERA APARTMENTS



Richard Gillaspie
Property Manager

RG:cb
Enclosures

CORDILLERA APARTMENTS
2016 - 2017 PERFORMANCE REVIEW

CA08pr

	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY.	JUN.	JUL.	AUG.	SEPT.	TOTAL
TOTAL INCOME 2011/12	13740	8981	14399	12323	12237	12777	13239	12465	13476	10538	12580	10722	147,476
TOTAL INCOME 2012/13	11389	11484	11819	11973	14126	11965	13079	12349	13616	10181	14489	9926	146,396
TOTAL INCOME 2013/14	12142	11712	11065	11430	14576	11920	11848	11872	12906	12019	11183	11554	144,226
TOTAL INCOME 2014/15	13264	11964	11308	10500	9853	9942	10261	11854	13959	13236	12927	11227	140,293
TOTAL INCOME 2015/16	10964	11839	12711	13063	13605	13294	11700	11879	13338	12835	13897	12887	152,013
TOTAL INCOME 2016/17	12897	13454	13984	13050	14438	13207	12429						93,459
VARIANCE	1933	1615	1273	-13	833	-87	729						6,282
	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY.	JUN.	JUL.	AUG.	SEPT.	TOTAL
2011/12 VACANCY LOSS	-275	-275	-275	-487	-960	0	0	0	-614	0	0	-144	-3,030
2012/13 VACANCY LOSS	-685	-1416	-1987	-982	-320	0	-68	0	0	0	0	-114	-5,571
2013/14 VACANCY LOSS	-685	-1085	-685	-228	-128	-93	-1357	-731	-55	-685	-685	-685	-7,102
2014/15 VACANCY LOSS	-732	-376	0	-2,509	-3677	-2737	-2550	-1370	-611	0	0	1225	-13,337
2015/16 VACANCY LOSS	0	-695	-400	23	0	0	-348	-118	-701	-303	0	-45	-2,584
2016/17 VACANCY LOSS	0	0	0	0	0	0	0						0
VARIANCE	0	695	400	-23	0	0	348						1,419
	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY.	JUN.	JUL.	AUG.	SEPT.	TOTAL
2011/12 UNPAID RENTS	-1439	-2314	2437	-490	-316	724	507	-422	1415	-474	-98	-1626	-2,096
2012/13 UNPAID RENTS	-1974	-747	-519	66	2182	-213	-26	-150	299	-1595	-278	-1674	-4,631
2013/14 UNPAID RENTS	-1762	-188	-179	-1539	1407	-637	598	0	-250	0	0	-420	-2,971
2014/15 UNPAID RENTS	493	-1190	-2278	588	1301	1	-11	-554	85	475	432	-2162	-2,822
2015/16 UNPAID RENTS	-1094	-302	205	-16	823	-1640	-142	-1307	1698	-66	-430	135	-2,137
2016/17 UNPAID RENTS	-275	-550	-95	512	1220	-18	-755						39
VARIANCE	819	-248	-300	527	398	1622	-613						2,205
	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY.	JUN.	JUL.	AUG.	SEPT.	TOTAL
2011/12 TOTAL OPER. EXP.	5812	4388	4790	5734	10995	9035	6164	5620	5046	9300	7339	5746	79,970
2012/13 TOTAL OPER. EXP.	8538	9295	6483	8170	6966	5661	5398	7233	7178	5882	6259	9323	86,386
2013/14 TOTAL OPER. EXP.	10653	11934	13419	6836	6025	5393	8312	8774	12084	5946	11078	5747	106,201
2014/15 TOTAL OPER. EXP.	9777	7662	8765	7841	8345	13740	6859	6171	14768	7212	6035	10136	107,310
2015/16 TOTAL OPER. EXP.	7689	6815	13468	10215	5574	8094	11930	9206	11314	8233	7254	8134	107,925
2016/17 TOTAL OPER. EXP.	6951	6078	7857	6823	6924	6880	11809						53,323
VARIANCE	-738	-736	-5611	-3391	1350	-1214	-120						-10,461
	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY.	JUN.	JUL.	AUG.	SEPT.	TOTAL
2011/12 TOTAL NOI	7928	4592	9609	6589	1241	3742	7076	6845	8429	1238	5241	4975	67,506
2012/13 TOTAL NOI	2850	2189	5337	3803	7160	6305	7681	5116	6438	4299	8230	603	60,010
2013/14 TOTAL NOI	1489	-222	-2354	4595	8551	6527	3535	3098	822	6073	104	5766	37,985
2014/15 TOTAL NOI	3487	4302	2543	2659	1508	-3798	3402	5682	-810	6024	6893	1090	32,983
2015/16 TOTAL NOI	3275	5025	-757	2848	8031	5201	-230	2673	2023	4601	6643	4753	44,087
2016/17 TOTAL NOI	5946	7376	6127	6227	7514	6328	619						40,136
VARIANCE	2670	2351	6884	3378	-517	1127	849						16,743

Date/Time sue
5/12/2017 11:23:36 AM

22

Housing Authority of the County of Butte
BCAHDC-CORDILLERA BALANCE SHEET
March, 2017

Cumulative

ASSETS	
Current Assets	
Cash - Unrestricted	112,010.09
Cash - Other restricted	0.00
Cash - Tenant Security Deposits	9,599.50
Accounts Receivable - PHA Projects	0.00
Accounts Receivable - HUD	0.00
Accounts Receivable - Other Gov	0.00
Accounts Receivable - Misc	0.00
Accounts Receivable - Tenants	1,279.84
Accrued Interest Receivable	0.00
Investments - Unrestricted	0.00
Investments - Restricted	0.00
Inventories	0.00
Interprogram Due from General Fund	0.00
Total Current Assets	122,889.43
Fixed Assets	
Land	188,298.92
Buildings	581,960.58
Furniture Equipment & Machinery	10,722.00
Accumulated Depreciation	-410,509.55
Capital Fund Expenditures to Date	0.00
Total Fixed Assets	370,471.95
Other Non-Current	
Notes Loans & Mortgages Receivable	0.00
Total Other Non-Current	0.00
Other Assets	
Prepaid Expenses and Other Assets	436.00
Investment in joint ventures	0.00
Total Other Assets	436.00
TOTAL ASSETS	493,797.38
LIABILITIES	
Current Liabilities	
Accounts payable < 90 days	0.00
Accrued Salaries and Fringe Payable	0.00
Accrued Compensated Absences	0.00
Accrued Interest Payable	141.72

Date/Time sue
5/12/2017 11:23:37 AM

Housing Authority of the County of Butte
BCAHDC-CORDILLERA BALANCE SHEET
March, 2017

	Cumulative
Tenant Security Deposits	8,999.50
Accrued Liabilities - Other	0.00
Prepaid Rent	142.52
Interprogram Due To General Fund	-199,645.72
Total Current Liabilities	-190,361.98
 Long-Term Liabilities	
Long-Term Debt Net of Current	28,347.30
Total Long-Term Liabilities	28,347.30
 TOTAL LIABILITIES	-162,014.68
 EQUITY	
Reserved for capital activities	0.00
Restricted Net Assets	0.00
Unrestricted Net Assets	630,244.16
Surplus/Increase in Net Assets	25,567.90
TOTAL EQUITY	655,812.06
 TOTAL LIABILITIES AND EQUITY	493,797.38

m

CORDILLERA INCOME STATEMENT

March 31, 2017

YTD %
50.00

	Month to Date			Year to Date			% used
	Actual	Budget	Remaining	Actual	Budget	Remaining	
Gross Potential Rent	13,735	13,733	2	82,365	164,800	-82,435	49.98
Manager's Unit - moved to expense	0	0	0	0	0	0	0.00
Vacancy Loss	0	-368	368	0	-4,410	4,410	0.00
Rebates	0	0	0	0	0	0	0.00
Net Dwelling Rent	13,735	13,366	369	82,365	160,390	-78,025	51.35
Tenant Charges	96	129	-33	1,528	1,550	-22	98.56
Laundry Revenue	180	150	30	1,060	1,800	-740	58.88
Other Income	0	0	0	0	0	0	0.00
Investment Income	4	84	-80	118	1,012	-894	11.66
TOTAL REVENUES	14,015	13,729	286	85,070	164,752	-79,682	51.64
Resident Manager Expense	1,042	1,108	-65	6,459	13,290	-6,831	48.60
Advertising	0	33	-33	0	400	-400	0.00
Audit	0	25	-25	0	300	-300	0.00
Bad Debts	0	140	-140	0	1,680	-1,680	0.00
Credit and Collection Expense	0	38	-38	15	450	-435	3.33
Legal Expense	0	100	-100	0	1,200	-1,200	0.00
Management Fees (RSC)	660	639	22	4,051	7,663	-3,612	52.87
Management Fees (HACB)	600	600	0	3,600	7,200	-3,600	50.00
Consulting Fees	0	0	0	0	0	0	0.00
Office Supplies	41	77	-36	569	924	-355	61.54
Other Admin. Expense	0	8	-8	0	100	-100	0.00
Property Taxes	0	50	-50	340	600	-260	56.60
Resident Activities	0	33	-33	0	400	-400	0.00
Telephone	130	122	8	772	1,464	-692	52.70
Total Admin Costs	2,474	2,973	-499	15,805	35,671	-19,866	44.31
Electricity	138	232	-94	911	2,784	-1,873	32.71
Gas	435	458	-23	2,531	5,500	-2,969	46.02
Water	371	700	-329	2,079	8,400	-6,321	24.75
Sewer	460	477	-18	2,298	5,727	-3,429	40.13
Total Utilities-Project	1,404	1,868	-464	7,818	22,411	-14,593	34.89
Unit Turnover Maintenance	0	1,442	-1,442	1,826	17,300	-15,474	10.56
Grounds Maintenance	525	707	-182	3,525	8,480	-4,955	41.57
Routine Maintenance Contracts	2,557	1,595	962	12,142	19,140	-6,998	63.44
Capital Improv/Replacements	0	4,294	-4,294	3,100	51,531	-48,431	6.02
Trash-Project	670	587	83	4,100	7,044	-2,944	58.21
Total Maintenance Costs	3,752	8,625	-4,872	24,694	103,495	-78,801	23.86
Interest Expense	14	24	-9	142	283	-141	50.08
Insurance-Liab/Auto/Prop	436	801	-365	2,616	9,614	-6,998	27.21
Total Other Expenses	450	825	-374	2,758	9,897	-7,139	27.86
TOTAL EXPENSES	8,080	14,289	-6,209	51,075	171,474	-120,399	29.79
RETAINED EARNINGS	5,935	-560	6,495	33,995	-6,722	40,717	-505.73
- Principal Payments	0	-186	186	0	-2,236	2,236	0.00
- Capital Improvements-Assets	0	0	0	0	0	0	0.00
NET CASH FLOW	5,935	-746	6,682	33,995	-8,958	42,953	-379.50
Depreciation & Amortization	1,405	0	1,405	8,427	0	8,427	0.00

**DHI-DFA GRIDLEY SPRINGS
ASSOCIATES, L.P.**

**(A California Limited Partnership)
DBA Gridley Springs Apartments**

**USDA RURAL DEVELOPMENT
Case No. 04-04-111739358**

COMPARTATIVE FINANCIAL REPORT

DECEMBER 31, 2016 and 2015

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Balance sheets	3-4
Statements of income	5-6
Statements of partners' equity	7
Statements of cash flows	8-9
Notes to financial statements	10-18
SUPPLEMENTAL INFORMATION TO FINANCIAL STATEMENTS	19
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	20-21
INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES	22-24
NOTES TO AGREED-UPON PROCEDURES	25-28
SUPPLEMENTAL INFORMATION TO AGREED-UPON PROCEDURES	
Multiple Family Housing Borrower Balance Sheet – Form RD 3560-10	29-30
Multiple Family Housing Project Budget – Form RD 3560-7	31-35
Supporting documentation to Forms RD 3560-10 and 3560-7	36



B O W M A N
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Partners

DHI-DFA Gridley Springs Associates, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments
Gridley, CA

We have audited the accompanying financial statements of DHI-DFA Gridley Springs Associates, L.P. (A California Limited Partnership), Case No. 04-04-111739358, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income, partners' equity (deficit), and cash flows for the years 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Bowman & Company, LLP

Established 1949
www.cpabowman.com

10100 Trinity Parkway, Suite 310
Stockton, CA 95219

Telephone: 209.473.1040
Facsimile: 209.473.9771

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DHI-DFA Gridley Springs Associates, L.P. as of December 31, 2016 and 2015 and the results of their operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information to the financial statements as referenced in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2017, on our consideration of DHI-DFA Gridley Springs Associates, L.P.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DHI-DFA Gridley Springs Associates, L.P.'s internal control over financial reporting and compliance.

Bauman & Capay, L.L.P.

Stockton, California

March 6, 2017

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

BALANCE SHEETS
December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 117,645	\$ 143,840
Accounts receivable - USDA Rural Development	11,438	19,685
Accounts receivable - other	446	16,061
Prepaid expenses	10,059	3,753
Deposits	200	200
Tax and insurance impounds	6,560	6,210
Total current assets	<u>146,348</u>	<u>189,749</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Guarantee fee reserve	1,724	1,897
Partnership cash	22,776	25,470
Rental security deposits	11,919	10,663
Replacement reserve	318,787	302,845
Transition reserve	85,000	85,000
Operating deficit reserve	120,000	120,000
	<u>560,206</u>	<u>545,875</u>
PROPERTY AND EQUIPMENT, at cost		
Land	149,957	149,957
Building and improvements	3,137,787	3,137,787
Site improvements	165,810	165,810
Personal property	373,940	373,940
	<u>3,827,494</u>	<u>3,827,494</u>
Less accumulated depreciation	<u>(481,860)</u>	<u>(326,168)</u>
	<u>3,345,634</u>	<u>3,501,326</u>
OTHER ASSETS		
Tax credit fees, net of accumulated amortization of \$4,025 and \$2,683 in 2016 and 2015, respectively	16,104	17,446
Total other assets	<u>16,104</u>	<u>17,446</u>
Total assets	<u><u>\$ 4,068,292</u></u>	<u><u>\$ 4,254,396</u></u>

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

BALANCE SHEETS (Cont.)
December 31, 2016 and 2015

LIABILITIES AND PARTNERS' EQUITY	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,863	\$ 3,577
Accrued interest payable, current portion	2,919	2,919
Partnership fees payable	5,852	11,475
Prepaid rent	685	488
Construction costs payable	--	3,689
Developer fee payable	159,702	189,102
Note payable, USDA Rural Development, current portion	10,431	10,111
Note payable, Bonneville, current portion	3,339	3,188
Total current liabilities	<u>187,791</u>	<u>224,549</u>
DEPOSIT LIABILITIES		
Tenant security deposits	<u>11,423</u>	<u>10,663</u>
LONG-TERM LIABILITIES		
Note payable, Bonneville, less current portion	341,178	344,516
Less unamortized debt issuance cost	63,896	65,563
	<u>277,282</u>	<u>278,953</u>
Note payable, USDA Rural Development, less current portion	1,065,020	1,075,451
Note payable, City of Gridley	2,080,000	2,080,000
Accrued interest payable, less current portion	111,800	49,400
	<u>3,534,102</u>	<u>3,483,804</u>
Total liabilities	<u>3,733,316</u>	<u>3,719,016</u>
PARTNERS' EQUITY	<u>334,976</u>	<u>535,380</u>
Total liabilities and partners' equity	<u>\$ 4,068,292</u>	<u>\$ 4,254,396</u>

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

STATEMENTS OF INCOME
Years Ended December 31, 2016 and 2015

	2016	2015
REVENUE		
Tenant rental income	\$ 92,651	\$ 109,194
Rental assistance - USDA Rural Development	142,844	136,387
Laundry income	2,484	2,783
Interest income	206	--
Tenant charges	55	679
Miscellaneous income	1,910	36,171
Total revenue	<u>240,150</u>	<u>285,214</u>
OPERATING AND MAINTENANCE EXPENSES		
Maintenance and repairs payroll	19,225	8,557
Maintenance and repairs supply	2,204	4,325
Maintenance and repairs contract	1,296	2,919
Painting and decorating	364	175
Grounds	9,083	13,287
Services	227	388
Furniture and furnishings replacement	11,870	6,475
	<u>44,269</u>	<u>36,126</u>
Electricity	5,008	5,493
Water	14,600	7,215
Sewer	5,500	5,636
Gas	729	577
Garbage and trash removal	11,558	8,950
	<u>37,395</u>	<u>27,871</u>
Site management payroll	11,646	14,934
Management fee	18,400	11,160
Project auditing expense	7,400	10,696
Legal	474	431
Telephone and answering service	1,789	1,124
Office supplies	3,503	5,424
Training expense	460	735
Health insurance and other employee benefits	5,877	6,607
Payroll taxes	3,406	2,469
Workers' compensation insurance	6,722	6,269
Other administrative expenses	3,601	4,259
	<u>63,278</u>	<u>64,108</u>

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

STATEMENTS OF INCOME (Cont.)
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Real estate taxes	2,255	11,088
Other taxes licenses and permits	2,532	1,767
Property and liability insurance	<u>8,875</u>	<u>9,424</u>
	<u>13,662</u>	<u>22,279</u>
 Total operating and maintenance expenses	 <u>158,604</u>	 <u>150,384</u>
 OTHER EXPENSES		
USDA Rural Development authorized expenditures -		
repairs and replacements	810	--
Depreciation	155,692	155,692
Amortization	1,342	1,341
Interest expense - mortgage payable	96,614	123,871
Interest expense - debt issuance cost	1,667	1,112
Interest - overages	3,234	1,843
Other partnership cost	15,000	--
USDA guarantee fees	1,739	3,150
Non-project expense - partnership fees	<u>5,852</u>	<u>5,775</u>
Total other expenses	<u>281,950</u>	<u>292,784</u>
 Total expenses	 <u>440,554</u>	 <u>443,168</u>
 Net loss	 <u><u>\$ (200,404)</u></u>	 <u><u>\$ (157,954)</u></u>

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

STATEMENT OF PARTNERS' EQUITY
Years Ended December 31, 2016 and 2015

	Managing General Partner	Administrative General Partners	Special Limited Partner	Limited Partner	Total
Balance, December 31, 2014	\$ 48	\$ 31	\$ 79	\$ 402,363	\$ 402,521
Contributions	--	--	--	290,813	290,813
Net loss	<u>(2)</u>	<u>(14)</u>	<u>(16)</u>	<u>(157,922)</u>	<u>(157,954)</u>
Balance, December 31, 2015	46	17	63	535,254	535,380
Net loss	<u>(2)</u>	<u>(18)</u>	<u>(20)</u>	<u>(200,363)</u>	<u>(200,404)</u>
Balance, December 31, 2016	<u>\$ 44</u>	<u>\$ (1)</u>	<u>\$ 43</u>	<u>\$ 334,891</u>	<u>\$ 334,976</u>

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (200,404)	\$ (157,954)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	157,034	157,033
Amortization of debt issuance cost	1,667	1,112
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - USDA Rural Development	8,247	(8,735)
Accounts receivable - other	15,615	12
Prepaid expenses	(6,306)	51
Deposits	--	11,800
Tax and insurance impounds	(350)	13,986
Rental security deposits	(1,256)	2,681
Increase (decrease) in:		
Accounts payable and accrued liabilities	(2,403)	2,029
Accrued interest payable	62,400	39,884
Partnership fees payable	(5,623)	5,775
Tenant security deposits	760	(2,681)
Prepaid rent	197	219
Net cash used in (provided by) operating activities	<u>29,578</u>	<u>65,212</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property		
Net withdrawal in guarantee fee reserve	173	--
Funding of replacement reserve	(16,752)	(67,554)
Withdrawals from replacement reserve	810	--
Net withdrawal to partnership cash account	2,694	88,305
Building and improvement costs incurred	--	(18,710)
Net cash used in (provided by) investing activities	<u>(13,075)</u>	<u>2,041</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	--	2,428,103
Payments on construction loan	--	(2,522,938)
Principal payments on notes payable	(13,298)	(12,096)
Payment of developer fee payable	(29,400)	(155,246)
Payment of loan fees	--	(46,646)
Partner contribution	--	290,813
Net cash provided by (used in) financing activities	<u>(42,698)</u>	<u>(18,010)</u>

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

STATEMENTS OF CASH FLOWS (Cont.)
Years Ended December 31, 2015 and 2014

	<u>2016</u>	<u>2015</u>
Increase (decrease) in cash and cash equivalents	(26,195)	49,243
Cash and cash equivalents		
Beginning	143,840	94,597
Ending	<u>\$ 117,645</u>	<u>\$ 143,840</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 34,214</u>	<u>\$ 83,987</u>

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies

DHI-DFA Gridley Springs Associates, L.P. (the "Partnership"), is a California limited partnership formed on July 18, 2012, to acquire, rehabilitate, and operate a 32-unit affordable housing project, known as Gridley Springs Apartments (the "Project") located in Gridley, CA. The Partnership's property and equipment was purchased on June 28, 2013 and the rental operations began on that date. The Project rents units to low-income tenants and is operated in a manner necessary to qualify for low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code ("Section 42"). The Project is regulated by the U.S. Department of Agriculture, Rural Development ("RD") as to rent charges and operating methods.

The co-general partners of the Partnership are DHI-DFA Gridley Springs Associates, LLC and DFA Development, LLC (collectively, the "Administrative General Partners"), a California limited liability company. The managing general partner of the Partnership is Butte County Affordable Housing Development Corporation, a California nonprofit public benefit corporation (the "Managing General Partner") collectively with the Administrative General Partners, the "General Partners"). WNC Institutional Tax Credit Fund X California Series 10, L.P., a California limited partnership, as the limited partner (the "Limited Partner"), WNC Housing, L.P., and a California limited partnership, as the special limited partner (the "Special Limited Partner"); collectively with the Limited Partner, the "Limited Partners").

Profits and losses from operations and low-income housing tax credits in any one year shall be allocated 99.98% to the Limited Partner, 0.01% to the Special Limited Partner, 0.0054% to the DHI-DFA Gridley Springs Associates, LLC, 0.0036% to DFA Development LLC and 0.001% to the Managing General Partner.

Pursuant to the Partnership Agreement, the Limited Partner and the Special Limited Partner will make a Capital Contribution in the aggregate amount of \$1,057,074, subject to potential adjustment based on the amount of low-income housing tax credits ultimately allocated to the Project, in addition to other potential occurrences as more fully explained in the Partnership Agreement. As of December 31, 2016 and 2015, the Limited Partner has provided capital contributions of \$925,984. The Special Limited Partner was required and paid its entire capital contribution of \$100.

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of presentation:

The Partnership prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies (Cont.)

Change in accounting principle:

During 2016, the Partnership adopted the provisions of Accounting Standards Update 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). Under this new accounting policy, the Partnership has retrospectively presented all debt issuance costs as a direct deduction from the carrying amount of the related obligation, rather than as an asset, on the balance sheets. Accounting principles generally accepted in the United States of America require that the amortization of the debt issuance costs be calculated using the interest method and be included as a component of interest expense. The Partnership has elected to use the straight-line method of amortization as the effect is not materially different from the results that would have been obtained under the interest method. For the year ended December 31, 2015, the effects on the balance sheet of the retrospective application of the accounting change was to decrease total assets and long-term liabilities by \$65,563 and the effect on the statement of income was to reclassify \$1,112 of amortization to interest expense. This change did not impact net income or retained earnings.

Cash and cash equivalents:

For purposes of reporting the statements of cash flows, the Partnership includes all cash accounts which are not subject to restrictions or withdrawal penalties, and all highly liquid investments with maturity of three months or less as cash and cash equivalents on the accompanying balance sheet.

Operating deficit reserve:

Pursuant to the Partnership Agreement dated June 1, 2013, an operating deficit reserve account with an initial capitalization of \$120,000 is to be funded by capital contributions of the Limited Partner. No annual deposit is required and withdrawals are subject to approval by the General Partner and Special Limited Partner. As of December 31, 2016, the operating deficit reserve was fully funded.

Transition reserve account:

Pursuant to the Partnership Agreement dated June 1, 2013, a transition reserve account with an initial capitalization of \$85,000 is to be funded by capital contributions of the Limited Partner. The transition reserve may be used with the consent of the Special Limited Partner to fund any operating deficits that occur as a result of a decrease in the amount of rental assistance provided by RD. As of December 31, 2016, the transition reserve was fully funded.

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies (Cont.)

Replacement reserve:

Pursuant to the Partnership Agreement and the Loan Agreement with RD, the Partnership is required to establish a replacement reserve account with an initial deposit of \$208,736 and thereafter, the Partnership shall deposit the required monthly deposit into an account maintained by the lender to fund certain costs relating to the Project. The annual required deposit is \$16,250, with annual escalating increases. Withdrawals are subject to RD approval. As of December 31, 2016, replacement reserve balanced totaled \$318,787.

Revenue recognition:

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other income results from fees earned for late payments, cleaning, damages and laundry facilities and are recorded when earned

Accounts receivable:

Management considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. 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 materially different from the results that would have been obtained under the allowance method.

Depreciation:

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	40
Site improvements	15
Personal property	5-7

Property and equipment is recorded at cost. Expenditures for maintenance and repairs are expensed as incurred.

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies (Cont.)

Depreciation: (Cont.)

The Partnership reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the property may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying value amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. At December 31, 2016 and 2015, there was no impairment losses recognized.

Amortization:

Tax credit monitoring fees will be amortized under the straight-line method over 15 years, which coincides with the compliance period in accordance with Section 42.

Debt issuance costs:

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the straight-line method.

Fair value of financial instruments:

The carrying amount of financial instruments, including cash, accounts receivable, and accounts payable and accrued liabilities approximate their value due to the short-term maturities of these instruments.

Income taxes:

Income taxes on Partnership income are levied on the partners at the partner level. Accordingly, all profits and losses of the Partnership are recognized by each partner on their respective tax return.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Partnership's tax returns will not be challenged by the tax authorities and that the Partnership or its partners will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Partnership's tax returns remain open for three to four years for income tax examination.

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies (Cont.)

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management has evaluated subsequent events through March 6, 2017, the date on which the financial statements were available to be issued.

Note 2. Note Payable – USDA Rural Development

In June 2013, as partial funding for its purchase of the Project, the Partnership assumed a loan of \$1,108,732 from the seller payable to RD. The note payable to RD is secured by a deed of trust on the real property. The obligation is payable in monthly installments of \$2,352 through May 2043, plus excess rent, if any, with the monthly payment amount applying to principal and interest, and any excess rent to additional interest. While the note payable provides for an interest rate of 3.125%, respectively per annum, RD allows interest reduction subsidies so that the Partnership pays less than the specified mortgage interest rate. The note is being amortized using the USDA Rural Development Predetermined Amortization Schedule System (PASS). Under PASS, the loan principal is amortized at the market interest rate; however, the Partnership is making monthly payments based on a 1% interest rate plus excess rents. Interest costs incurred on the note for the years ended December 31, 2016 and 2015 was \$18,113 and \$18,424, respectively. For years ending December 31, 2016 and 2015, accrued interest was \$1,572.

The future amounts of principal payments under this mortgage note at December 31, 2016 were as follows:

2017	\$ 10,431
2018	10,762
2019	11,103
2020	11,455
2021	11,818
Thereafter	<u>1,019,882</u>
	<u>\$ 1,075,451</u>

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

NOTES TO FINANCIAL STATEMENTS

Note 3. Note Payable – Bonneville Multifamily Loan

In January 2015, the Partnership signed a promissory note with Bonneville Mortgage Company, a Utah corporation, for \$350,000. The loan is guaranteed through the USDA Section 538 Guaranteed Rural Rental Housing Program. The note is secured by the multifamily deed of trust, assignments of rents, security agreement and fixture filing. The interest rate on the loan is 4.65% and requires monthly principal and interest payments of \$1,607. The loan matures in January 2055. For years ending December 31, 2016 and 2015, interest on the note was \$16,101 and \$12,787, respectively. For years ending December 31, 2016 and 2015, accrued interest was \$1,347.

As of December 31, 2016 and 2015, debt issuance costs, net of accumulated amortization of \$2,779 and \$1,112, respectively, are amortized using the straight-line method.

The future amounts of principal payments under this mortgage note at December 31, 2016 were as follows:

2017	\$ 3,339
2018	3,498
2019	3,664
2020	3,838
2021	4,020
Thereafter	326,158
	<u>\$ 344,517</u>

Note 4. Note Payable – City of Gridley

The Partnership entered into a loan agreement under the Home program with the City of Gridley (the “Home Loan”) in the amount of \$2,080,000. The Home Loan is secured by a subordinate deed of trust on the Project. The Home Loan bears interest at a fixed rate of 3% simple interest and matures January 31, 2069. All payments on principal and interest have been deferred until 2024. Commencing on June 1, 2024, payments are payable in an amount equal to fifty percent (50%) of the net cash flow after payment of the distributions set forth in the note. The unpaid principal balance of this note shall be due and payable in full at the end of the term. The payments on this note shall first be applied to interest then to unpaid costs and finally principal obligated through the HOME Agreement. As of December 31, 2016 and 2015, the outstanding principal was \$2,080,000. For years ending December 31, 2016 and 2015, accrued interest was \$111,800 and \$49,400, respectively.

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

NOTES TO FINANCIAL STATEMENTS

Note 5. Bond Payable – California Affordable Housing Agency

In June 2013, the Partnership was allocated \$3,200,000 of multifamily housing revenue bonds, Series 2013A by California Affordable Housing Agency (the “Issuer”). The representative of the bonds is Rabobank. The note was secured by a construction deed of trust, security agreement and assignment of leases and rents, and fixture filing. The note required interest-only monthly payments, at 3.00% per annum plus the one-month LIBOR rate, payable in monthly interest-only payments. The bond became payable in full including any accrued interest in March 2015. Interest on the note for the years ended December 31, 2016 and 2015, was \$0 and \$43,260, respectively.

Note 6. Related Party Transactions

Asset management fee

In accordance with the Partnership Agreement, the Limited Partner receives an annual cumulative asset management fee in the amount of \$2,500 annually, increasing by 3% per year, commencing in 2014. The fee is payable from available cash flow, as further described in the Partnership Agreement. During the year ended December 31, 2016 and 2015, \$5,075 and \$0 was paid, respectively. As of December 31, 2016 and 2015, \$2,652 and \$5,075 was payable, respectively.

Partnership management fee

In accordance with the Partnership Agreement, the Managing General Partner is entitled to receive an annual cumulative partnership management fee in the amount of \$3,200, commencing in 2013. The fee is payable from available cash flow, as further described in the Partnership Agreement. During the years ending December 31, 2016 and 2015, \$6,400 and \$0, respectively, was paid. As of December 31, 2016 and 2015, \$3,200 and \$6,400, respectively, was payable.

Incentive management fee

In accordance with the Partnership Agreement, commencing in 2013, the Administrative General Partners receive a noncumulative incentive management fee equal to 45% of the net operating income of the Partnership, to the extent of available cash flow, as defined in the Partnership Agreement. During the years ended December 31, 2016 and 2015, the Administrative General Partners earned an incentive management fee of \$0.

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

NOTES TO FINANCIAL STATEMENTS

Note 6. Related Party Transactions (Cont.)

Tax credit compliance fee

In accordance with the Partnership Agreement, commencing in 2014, the Administrative General Partners receive a noncumulative tax credit compliance fee equal to 45% of the net operating income of the Partnership, to the extent of available cash flow, as defined in the Partnership Agreement. During the years ended December 31, 2016 and 2015, the Administrative General Partners earned a tax credit compliance fee of \$0.

Developer fee payable

The Partnership contracted with Dawson Holdings, Inc. ("DHI"), an affiliate of the Administrative General Partner and DFA Development, LLC ("DFA") (the "Developers"), to provide development services relating the acquisition and rehabilitation of the Project for a \$344,348 development fee. The unpaid fee is paid as further described in the Partnership Agreement and the Development Agreement. For the years ending December 31, 2016 and 2015, \$159,702 and \$189,102, respectively, was payable.

Note 7. Low-Income Housing Tax Credits

The Partnership expects to generate an aggregate total of \$1,174,670 of federal low-income housing tax credits ("Tax Credits"). Generally, such credits are expected to become available for use by its partners pro rata over a ten-year period, which began in 2013. In order to qualify for those credits, the Project must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operation. The Partnership has also agreed to maintain and operate the Project as low-income housing for another 40 years after the above period ends. Because Tax Credits are subject to complying with certain requirements, there can be no assurance that the aggregate amount of tax credits will be realized and failure to meet all such requirements may result in generating less Tax Credits than expected. As of December 31, 2016 and 2015, the Partnership had generated \$402,731 and \$285,264 of Tax Credits, respectively.

The Partnership anticipates generating Tax Credits as follows for December 31:

2017	\$ 117,467
2018	117,467
2019	117,467
2020	117,467
2021	117,467
Thereafter	184,604
	<u>\$ 771,739</u>

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

NOTES TO FINANCIAL STATEMENTS

Note 8. Return to Owner

In accordance with Loan Agreement, the maximum annual return to owner allowable by RD for the Partnership is \$21,100. Upon completion of the rehabilitation, the RTO maximum increases to \$32,400.

Note 9. Current Vulnerability Due to Certain Concentrations

The Partnership's sole asset is Gridley Springs Apartments. The Partnership's operations are concentrated in the affordable housing real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, Rural Development and the State Housing Agency. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by Rural Development or the State Housing Agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**SUPPLEMENTAL INFORMATION TO
FINANCIAL STATEMENTS**

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

SUPPLEMENTAL INFORMATION TO FINANCIAL STATEMENTS

December 31, 2016
See Auditors' Report

1. Management Fee Calculation

Total management fee is based on a fee per unit occupied by tenants during the month

Total qualified units (31 * 12 months)	372
Less: vacancies	<u>4</u>
Total occupied units	368
	X
Fee per unit (Effective 01/16)	<u>\$ 50</u>
Management fee expense	<u><u>\$ 18,400</u></u>

2. Insurance Disclosure

The Partnership maintains insurance coverage as follows:

	<u>Deductible</u>	<u>Coverage</u>
Property coverage on buildings*	<u>\$ 10,000</u>	<u>\$ 304,298,498</u>
Comprehensive business liability (per occurrence/aggregate)	<u>\$ - -</u>	<u>\$ 1,000,000 / 2,000,000</u>
Fidelity/employee dishonesty	<u>\$ 25,000</u>	<u>\$ 1,000,000</u>

*Blanket coverage

3. Return to Owner

In accordance with the loan agreement, the annual return to owner is as follows:

Maximum Return to Owner	<u>\$ 32,400</u>
Budgeted Return to Owner*	<u>\$ 21,100</u>
Return to Owner Paid:	
2014 RTO paid	\$ 21,100
2015 RTO paid	<u>21,100</u>
	<u>\$ 42,200</u>

* The budgeted RTO is incorrect. As of 2015, the maximum RTO should have been \$32,400 per agreement with RD.



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

To the Partners
DHI-DFA Gridley Springs Associates, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments
Gridley, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of DHI-DFA Gridley Springs Associates, L.P. (A California Limited Partnership), which comprise the balance sheet as of December 31, 2016, and the related statement of income, partners equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Partnership's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bauman & Company, C.L.P.

Stockton, California
March 6, 2017



B O W M A N

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

To the Partners

DHI-DFA Gridley Springs Associates, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments
Gridley, CA

and

United States Department of Agriculture
Rural Development
Oroville, CA

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development and DHI-DFA Gridley Springs Associates, L.P. ("owner"), the owner of DBA Gridley Springs Apartments ("Project"), located in Gridley, CA, solely to assist those parties in evaluating that the accompanying Form RD 3560-10, Multiple Family Housing Borrower Balance Sheet, Form RD 3560-7, Multiple Family Housing Project Budget ("Financial Reports") and Supporting Documentation are prepared by the Borrower in accordance with the criteria specified in RD Regulations contained in 7 CFR 3560 section 303(b) and section 306, in accordance with the determinations noted in Attachment 4-D of RD Handbook HB-2-3560, for the year ended December 31, 2016. The owner is responsible for the presentation of the financial reports. This agreed-upon-procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of RD and the owner. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We examined selected receipts, invoices, and cancelled checks (or check imaging on original bank statement) that support administrative; and operating and maintenance expenses presented on Form RD 3560-7, Part II, line items 1-10 and 19-32 to determine they were incurred as part of the ongoing operations of the project. We selected a representative sample of invoices and supporting documentation, based on the sample size determined by RD in Attachment 4-D of RD Handbook HB-2-3560, for expenses included in Lines 1-10 and 19-32 of Form RD 3560-7 and determined that the services were eligible expenses, in accordance with Attachment 4-A of HB-2-3560, and the shipping address agreed to the project address. In addition, we confirmed a sample of the expenditures with the vendors to determine the invoice paid agreed to the vendor's records.

Bowman & Company, LLP

Established 1949
www.cpaBowman.com

10100 Trinity Parkway, Suite 310
Stockton, CA 95219

Telephone: 209.473.1040
Facsimile: 209.473.9771

Findings:

Total Number of Invoices in Population:	435
Total Dollar Amount of Invoices in Population:	\$ 107,147
Total Number of Invoices Reviewed:	20
Total Dollar Amount of Invoices Reviewed:	\$ 6,204
Total Number of Invoices in Vendor Confirmation Sample:	1
Total Dollar Amount of Invoices in Vendor Confirmation Sample:	\$ 1,118
Total Number of Vendor Confirmations Not Received:	--
Total Dollar Amount of Vendor Confirmations Not Received:	\$ --
Total Number of Deviations:	--
Total Dollar Amount of Deviations:	\$ --

2. We confirmed the balance in the replacement reserve account presented on Form RD 3560-7, Part III, and confirmed that no amounts were encumbered by the financial institution that holds the accounts. We determined that all balances are within the FDIC insurance limits. We determined the number of reserve account withdrawals from the original bank statements and compared the withdrawals to the amounts approved by Rural Development on Form RD 3560-12. We compared the invoices and cancelled checks (or check imaging on original bank statement) to the approved withdrawals from Rural Development.

Findings:

Total Number of Reserve Account Withdrawals:	1
Total Number of Withdrawals Authorized by Rural Development:	1
Total Dollar Amount of Reserve Account Withdrawals:	\$ 810
Total Dollar Amount of Withdrawals Authorized by Rural Development:	\$ 810
Total Number of Deviations:	--
Total Dollar Amount of Deviations:	\$ --

The confirmation received from the financial institution agreed to the project's bank reconciliation and no encumbrances were noted on the confirmation. All withdrawals were paid to the vendors approved by Rural Development on Form RD 3560-12.

3. We obtained the Identity of Interest (IOI) company listing and Form RD 3560-31 from Rural Development and determined that the services provided and approved fees, if applicable, agree to the actual service and fees charged to the project. We examined a sample of invoices and determined that the services and charges are in accordance with the disclosures contained in Form RD 3560-31 as agreed to by Rural Development.

Findings:

Total Number of Forms RD 3560-31 Received:	--
Total Number of Forms RD 3560-30 Received:	1

The agreed-upon procedures performed above and the management representation letter revealed no undisclosed IOI companies.

We were not engaged to, and did not, conduct an audit of the subject matter, the objective of which would be the expression of an opinion on the agreed-upon procedures applied to the financial reports and supporting documentation of DHI-DFA Gridley Springs Associates, L.P. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the owner and management agent of DHI-DFA Gridley Springs Associates, L.P. and Rural Development and is not intended to be, and should not be, used by anyone other than these specified parties.

Stockton, California
March 6, 2017

Bowman & Company, L.L.P.

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

NOTES TO AGREED-UPON PROCEDURES

See Accountants' Report

1. **Specific identification of any identity of interest which exists between the management agent, any maintenance firm, suppliers, vendors or any other entity or person used to provide services or supplies to the project. Briefly describe the type of transaction and the dollar amount involving any identity of interest entity/person.**

See agreed-upon procedures report item #3 for identity of interest transactions.

2. **Identify all funds paid to the management firm in excess of the approved management fee.**

In addition to the management fee, amounts reimbursed to the management company during the year ended December 31, 2016 are as follows:

Purpose

Payroll / Employee benefits reimbursement	\$ <u>46,876</u>
---	------------------

3. **Identify any changes to the Owner entity.**

None.

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

NOTES TO AGREED-UPON PROCEDURES

See Accountants' Report

4. For each project account, specify the full account title, account number, the name and address of the financial institution in which deposited, the balance and the interest rate.

<u>Account Title/Bank Account #</u>	<u>Institution Name/Address</u>	<u>Balance at 12/31/16</u>	<u>Interest Rate</u>
General Operating Account 5895101169	Wells Fargo P.O. Box 6995 Portland, OR 97228	\$ 103,230	None
Tax and Insurance Impound Account 500265	Bonneville Multifamily Capital 111 East Broadway, Suite 200 Salt Lake City, UT 84111	\$ 6,560	0.13%
Security Deposit Account 5895101177	Wells Fargo P.O. Box 6995 Portland, OR 97228	\$ 11,919	None
Guarantee Fee Reserve 500265	Bonneville Multifamily Capital 111 East Broadway, Suite 200 Salt Lake City, UT 84111	\$ 1,724	0.13%
Replacement Reserve Account 0033835083	Union Bank P.O. Box 513840 Los Angeles, CA 90051	\$ 80,300	None
Replacement Reserve Account 500265	Bonneville Multifamily Capital 111 East Broadway, Suite 200 Salt Lake City, UT 84111	\$ 238,487	0.13%
General Operating Account 1165761105	Wells Fargo P.O. Box 6995 Portland, OR 97228	\$ 14,340	None
Partnership Cash 01489	First Republic Bank 111 Pine Street San Francisco, CA 94111	\$ 22,756	None

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

NOTES TO AGREED-UPON PROCEDURES

See Accountants' Report

4. For each project account, specify the full account title, account number, the name and address of the financial institution in which deposited, the balance and the interest rate.

Account Title/Bank Account #	Institution Name/Address	Balance at 12/31/16	Interest Rate
Partnership Cash - Operating Deficit Account 2086239163	Wells Fargo P.O. Box 6995 Portland, OR 97228	\$ 120,000	None
Partnership Cash - Transition Reserve Account 2086239155	Wells Fargo P.O. Box 6995 Portland, OR 97228	\$ 85,000	None

5. State total cash paid to the owners in the last year (year being audited).

ROI paid that was <u>earned</u> in the immediate preceding year	\$ 21,100
Other payments to owners, ROI paid for 2014	21,100
Total cash paid to Owners	<u>\$ 42,200</u>

6. Reconcile the reserve account:

Required reserve balance, December 31, 2015	(1) <u>\$ 250,096</u>
Required annual reserve deposit (from Loan Agreement and any Subsequent Amendments)	(2) <u>16,752</u>
Actual 2016 reserve account deposit	<u>16,752</u>

List all authorized withdrawals (documented by check countersigned by a
USDA Rural development employee)

Purpose	Date	Amount	Regular or Excess	USDA Authorized
1. Carpet	07/14/16	\$ 810	Regular	Yes
Total all authorized <u>regular</u> reserve withdrawals			(3)	<u>810</u>
Total all authorized <u>excess</u> reserve withdrawals				<u>--</u>
Total all unauthorized reserve withdrawals				<u>--</u>

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

NOTES TO AGREED-UPON PROCEDURES

See Accountants' Report

6. Reconcile the reserve account (Cont):

Required reserve balance, December 31, 2016	(4) <u>266,038</u>
(1) + (2) - (3) = (4)	
Confirmed balance, December 31, 2016	<u>318,787</u>
Amount account over (under) funded	<u>\$ 52,749</u>

7. Return on investment (ROI) calculation:

Net cash/deficit (Part I, Line 30)	\$ (28,691)
Add: Return to owner, paid this year for prior year(s)	42,200
Add: Reserve deposits over required in the USDA loan agreement	<u>- -</u>
Net cash/deficit, earned from current year's operation	<u>\$ 13,509</u>
Maximum annual allowable distribution	<u>\$ 21,100</u>

Project earned partial ROI for the period ending December 31, 2016
(Project will request \$18,891 out of excess reserve to pay full ROI for 2016 and will also
request \$11,300 out of excess reserve to pay the underpaid 2015 ROI)

8. Surplus cash calculation:

Permissible limit (20% of 2017 budgeted O & M less Tax & Insurance)	<u>\$ 26,752</u>
Actual cash balance at December 31, 2016	\$ 124,205
Less: Tax and insurance escrow (3560-7 Line 34-36 1mo & Line 37 12 mo)	9,594
Accounts payable (3560-10 Line 22)	4,863
Return to owner earned in current period	<u>13,509</u>
Available cash balance at December 31, 2016	<u>\$ 96,239</u>
Surplus cash balance at December 31, 2016 to be transferred to reserve account	<u>\$ 69,487</u>

**SUPPLEMENTAL INFORMATION TO
AGREED-UPON PROCEDURES**

Position 3
**MULTIPLE FAMILY HOUSING
BORROWER BALANCE SHEET**
PART 1 - BALANCE SHEET

PROJECT NAME Gridley Springs Apartments	BORROWER NAME DHI-DFA Gridley Springs Associates, L.P.	BORROWER ID AND PROJECT NO. Case No. 04-04-111739358
---	--	--

		CURRENT YEAR 1/1/16 12/31/16	PRIOR YEAR 1/1/15 12/31/15	COMMENTS
ASSETS				
CURRENT ASSETS				
1. GENERAL OPERATING ACCOUNT.....		\$ 117,645	\$ 143,840	
2. R.E. TAX & INSURANCE ACCOUNT.....		6,560	6,210	
3. RESERVE ACCOUNT.....		318,787	302,845	
4. SECURITY DEPOSIT ACCOUNT.....		11,919	10,663	
5. OTHER CASH.....		0	0	
6. OTHER (identify) Deposits.....		200	200	
7. ACCOUNTS RECEIVABLE (Attach List).....		11,884	35,746	
...ACCTS RCBL 0-30 DAYS \$ 11,884				
...ACCTS RCBL 30-60 DAYS \$				
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS.....		0	0	
9. INVENTORIES (supplies).....		0	0	
10. PREPAYMENTS.....		10,059	3,753	
11. OTHER - PARTNERSHIP CASH.....		229,500	232,367	
12. TOTAL CURRENT ASSETS (Add 1 thru 11).....		706,554	735,624	
FIXED ASSETS				
13. LAND.....		149,957	149,957	
14. BUILDINGS.....		3,303,597	3,303,597	
15. LESS: ACCUMULATED DEPRECIATION.....		(283,281)	(193,782)	
16. FURNITURE & EQUIPMENT.....		373,940	373,940	
17. LESS: ACCUMULATED DEPRECIATION.....		(198,579)	(132,386)	
18.		0	0	
19. TOTAL FIXED ASSETS (Add 13 thru 18).....		3,345,634	3,501,326	
OTHER ASSETS				
20. TAX CREDIT FEES, NET.....		16,104	17,446	
21. TOTAL ASSETS (Add 12, 19, and 20).....		4,068,292	4,254,396	
LIABILITIES AND OWNERS EQUITY				
CURRENT LIABILITIES				
22. ACCOUNTS PAYABLE (Attach list).....		4,863	3,817	
... ACCTS PAY 0-30 DAYS \$ 4,863				
... ACCTS PAY 30-60 DAYS \$				
23. NOTES PAYABLE (Attach list).....		182,928	220,732	
24. SECURITY DEPOSITS.....		11,423	10,663	
25. TOTAL CURRENT LIABILITIES (Add 22 thru 24).....		199,214	235,212	
26. NOTES PAYABLE Rural Development.....		1,065,020	1,075,451	
27. OTHER.....		2,469,082	2,408,353	
28. TOTAL LONG-TERM LIABILITIES (Add 26 and 27).....		3,534,102	3,483,804	
29. TOTAL LIABILITIES (Add 25 and 28).....		3,733,316	3,719,016	
30. OWNER'S EQUITY (Net Worth)(21 minus 29).....		334,976	535,380	
31. TOTAL LIABILITIES AND OWNER'S EQUITY (Add 29 and 30).....		\$ 4,068,292	\$ 4,254,396	

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

3-30-17
(Date)

[Signature]
(Signature of Borrower or Borrower's Representative)

Asset Manager
(Title)

PART II - THIRD PARTY VERIFICATION OF REVIEW

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 3560-7, is a fair presentation of the borrower's records

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

(Date)

(Signature)

(Name and Title)

(Address)

☒ In lieu of the above verification and signature, a compilation, review or audit opinion completed, dated and signed by a person or firm qualified by license or certification is attached.

**MULTIPLE FAMILY HOUSING PROJECT BUDGET/
UTILITY ALLOWANCE**

PROJECT NAME Gridley Springs Apartments		BORROWER NAME DHI-DFA Gridley Springs Associates, L.P.		BORROWER ID AND PROJECT NO. Case No. 04-04-111739358	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SMR <input type="checkbox"/> Other Servicing	Project Rental Type <input checked="" type="checkbox"/> Family <input type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Project Type <input type="checkbox"/> Full Profit <input checked="" type="checkbox"/> Limited Profit <input type="checkbox"/> Non-Profit	The following utilities are master metered: <input checked="" type="checkbox"/> Electricity <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> Other	<input checked="" type="checkbox"/> I hereby request 0 units of RA. Current number of RA units 26 Borrower Accounting Method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual

PART I - CASH FLOW STATEMENT

	CURRENT BUDGET (01-01-16) (12-31-16)	ACTUAL (01-01-16) (12-31-16)	PROPOSED BUDGET (01-01-17) (12-31-17)	
BEGINNING DATES> ENDING DATES>				
OPERATIONAL CASH SOURCES				
1. RENTAL INCOME.....	258,576	92,651	260,436	
2. RHS RENTAL ASSISTANCE RECEIVED.....		142,844		
3. APPLICATION FEES RECEIVED.....				
4. LAUNDRY AND VENDING.....	2,820	2,484	2,592	
5. INTEREST INCOME.....	0	206	0	
6. TENANT CHARGES.....	0	55	0	
7. OTHER - PROJECT SOURCES.....	1,620	1,910	1,848	Late fees/NFS
8. LESS (Vacancy and Contingency Allowance).....	(2,878)		(4,300)	2%
9. LESS (Agency Approved Incentive Allowance).....	(0)		(0)	
10. SUB-TOTAL [(1 thru 7)-(8&9)].....	260,138	240,150	260,576	
NON-OPERATIONAL CASH SOURCES				
11. CASH - NON PROJECT.....	0	0	0	
12. AUTHORIZED LOAN (Non-RHS).....	0	0	0	
13. TRANSFER FROM RESERVE.....	4,116	810	5,590	
14. SUB-TOTAL (11 thru 13).....	4,116	810	5,590	
15. TOTAL CASH SOURCES (10+14).....	264,254	240,960	266,166	
OPERATIONAL CASH USES				
16. TOTAL O&M EXPENSES (From Part II).....	149,727	157,404	147,845	
17. RHS DEBT PAYMENT.....	28,224	28,224	28,224	
18. RHS PAYMENT (Overage).....		3,234		
19. RHS PAYMENT (Late Fee).....		0		
20. REDUCTION IN PRIOR YEAR PAYABLES(See Part IV).....		0		
21. TENANT UTILITY PAYMENTS.....		0		
22. TRANSFER TO RESERVE.....	16,752	16,752	20,378	
23. RETURN TO OWNER.....	21,100	42,200	32,400	
24. SUB-TOTAL (16 thru 23).....	215,803	247,814	228,847	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS).....	47,513	19,288	35,064	
26. ANNUAL CAPITAL BUDGET (From Part III, Line 4 - 6)	0	810	5,590	
27. MISCELLANEOUS.....	0	1,739	0	USDA Guarantee fee
28. SUB-TOTAL (25 thru 27).....	47,513	21,837	40,654	
29. TOTAL CASH USES (24+28).....	263,316	269,651	269,501	
30. NET CASH (DEFICIT) (15-29).....	938	(28,691)	-3,335	
CASH BALANCE				
31. BEGINNING CASH BALANCE.....	102,567	150,050	103,134	
32. ACCRUAL TO CASH ADJUSTMENT.....		2,846		
33. ENDING CASH BALANCE (30+31+32).....	103,505	124,205	99,799	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART II - OPERATING AND MAINTENANCE EXPENSE SCHEDULE

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	
1. MAINTENANCE & REPAIRS PAYROLL.....	6,000	19,225	6,240	
2. MAINTENANCE & REPAIRS SUPPLY	3,220	2,204	3,300	
3. MAINTENANCE & REPAIRS CONTRACT	1,700	1,296	1,755	
4. PAINTING AND DECORATING	965	364	1,002	
5. SNOW REMOVAL	0	0	0	
6. ELEVATOR MAINTENANCE/CONTRACT	0	0	0	
7. GROUNDS	12,996	9,083	13,500	
8. SERVICES	1,750	227	1,450	
9. ANNUAL CAPITAL BUDGET (From Part V - Operating)	8,821	11,870	4,300	
10. OTHER OPERATING EXPENSES(Items)	0	0	0	
11. SUB-TOTAL MAINT.& OPERATING (1 thru 10)	35,452	44,269	31,547	
12. ELECTRICITY	3,502	5,008	3,640	
13. WATER	5,500	14,600	5,700	
14. SEWER	9,098	5,500	9,462	
15. FUEL (Oil/Coal/Gas).....	529	729	549	
16. GARBAGE & TRASH REMOVAL.....	7,500	11,558	7,800	
17. OTHER UTILITIES	0	0	0	
18. SUB-TOTAL UTILITIES (12 thru 17)	26,129	37,395	27,151	
19. SITE MANAGEMENT PAYROLL	24,024	11,646	24,852	
20. MANAGEMENT FEE	18,800	18,400	18,600	
21. PROJECT AUDITING EXPENSE	7,000	7,000	7,000	
22. PROJECT BOOKKEEPING/ACCOUNTING	0	0	0	
23. LEGAL EXPENSES	660	474	685	
24. ADVERTISING	250	0	250	
25. TELEPHONE & ANSWERING SERVICE	840	1,789	870	
26. OFFICE SUPPLIES	2,450	3,503	2,545	
27. OFFICE FURNITURE & EQUIPMENT	0	0	0	
28. TRAINING EXPENSE	1,200	460	1,000	
29. HEALTH INS. & OTHER EMP. BENEFITS	7,200	5,877	7,200	
30. PAYROLL TAXES	3,135	3,406	3,260	
31. WORKMAN'S COMPENSATION	4,386	6,722	4,561	
32. OTHER ADMINISTRATIVE EXPENSES(Items).....	4,115	3,601	4,238	
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	74,060	62,878	75,061	
34. REAL ESTATE TAXES	4,100	2,255	4,100	
35. SPECIAL ASSESSMENTS	0	0	0	
36. OTHER TAXES, LICENSES & PERMITS	800	1,732	800	
37. PROPERTY & LIABILITY INSURANCE	9,186	8,875	9,186	
38. FIDELITY COVERAGE INSURANCE	0	0	0	
39. OTHER INSURANCE	0	0	0	
40. SUB-TOTAL TAXES & INSURANCE(34 thru 39)	14,086	12,862	14,086	
41. TOTAL O&M EXPENSES (11+18+33+40).....	149,727	157,404	147,845	

PART III - ACCOUNT BUDGETING / STATUS

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	
RESERVE ACCOUNT:				
1. BEGINNING BALANCE	233,230	302,845	269,024	
2. TRANSFER TO RESERVE	16,500	16,752	20,378	
TRANSFER FROM RESERVE:				
3. OPERATING DEFICIT	0	0	0	
4. ANNUAL CAPITAL BUDGET.....	8,012	810	0	
5. BUILDING & EQUIPMENT REPAIRS.....	0	0	0	
6. OTHER NON-OPERATING EXPENSES	0	0	0	
7. TOTAL (3 thru 6)	(8,012)	(810)	(0)	
8. ENDING BALANCE [(1+2)-7]	241,718	318,787	289,402	

GENERAL OPERATING ACCOUNT: *

BEGINNING BALANCE.....
ENDING BALANCE.....

a	143,840
b	117,645

Beginning
150,050

REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*

BEGINNING BALANCE.....
ENDING BALANCE.....

c	6,210
d	6,560

Ending
124,205

TENANT SECURITY DEPOSIT ACCOUNT:*

BEGINNING BALANCE.....
ENDING BALANCE.....

10,663
11,919

(* Complete upon submission of actual expenses.)

Part II, Line 32, Itemization

	Actual
Employee recruitment	\$ 20
Payroll administration expenses	838
Site office travel	1,166
Employee relations	84
Miscellaneous/banking fees	1,493
	<u>\$ 3,601</u>

PART V - ANNUAL CAPITAL BUDGET

Gridley Springs Apartments

Appliances:

Proposed # of units/ items	Proposed From Reserve	Actual From Reserve	Proposed From Operating	Actual From Operating	Actual Total
Range	0	0	0	0	0
Refrigerator	0	0	0	554	554
Range Hood	0	0	0	0	0
Other	0	0	0	0	0

Carpet and Vinyl:

1 BR	1	0	0	1,840	5,594	5,594
2 BR	1	0	810	2,056	3,731	4,541
3 BR	1	4,116	0	0	0	0

Cabinets:

Kitchens	0	0	0	0	0	0
Bathroom	0	0	0	0	0	0

Doors:

Exterior	0	0	0	0	72	72
Gate	0	0	0	0	0	0

Window Coverings:

Blinds	5	0	0	625	608	608
--------	---	---	---	-----	-----	-----

Heating and Air Conditioning:

Heating	0	0	0	0	0	0
Air conditioning	0	0	0	0	0	0

Plumbing:

Water Heater	0	0	0	0	981	981
Bath Sinks	0	0	0	0	0	0
Kitchen Sinks	0	0	0	0	0	0
Faucets	0	0	0	0	0	0
Other	0	0	0	0	0	0

Major Electrical:

Lighting		0	0	0	0	0
----------	--	---	---	---	---	---

Structures:

Windows	0	0	0	0	0	0
Screens	0	0	0	0	0	0
Walls		0	0	0	0	0
Roofing		0	0	0	0	0
Exterior Painting		0	0	0	0	0
Other		0	0	0	0	0

Paving:

Asphalt		0	0	0	0	0
Concrete		0	0	0	0	0
Seal and Stripe		0	0	0	0	0

Landscape and grounds:

Landscaping		0	0	2,500	0	0
Lawn Equipment		0	0	0	0	0
Fencing		0	0	0	0	0
Recreation area		0	0	0	0	0
Other: Gutter		0	0	1,800	0	0
ADA inspection		0	0	0	0	0

Automation equipment:

Site management		0	0	0	0	0
Common area		0	0	0	330	330

Other:

List: _____		0		0	0	0
List: _____		0	0	0	0	0
List: _____		0	0	0		0

TOTAL CAPITAL EXPENSES:

8	4,116	810	8,821	11,870	12,680
---	-------	-----	-------	--------	--------

PART VI - SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

3-30-17

(Date)



(Signature of Borrower or Borrower's Representative)

Asset Manager

(Title)

AGENCY APPROVAL (Rural development Approval Official):

DATE:

COMMENTS:

DHI-DFA GRIDLEY SPRINGS ASSOCIATES, L.P.
(A California Limited Partnership)
DBA Gridley Springs Apartments

SUPPORTING DOCUMENTATION TO FORMS RD 3560-10 AND 3560-7
December 31, 2016

<u>1. Accounts Receivable (3560-10, Line 7)</u>			
Accounts receivable – USDA Rural Development	\$	11,438	
Accounts receivable – other		446	\$ 11,884
<u>2. Other Cash (3560-10, Line 11)</u>			
Operating deficit reserve	\$	120,000	
Transition reserve		85,000	
Guarantee fee reserve		1,724	
Partnership cash		22,776	\$ 229,500
<u>3. Notes Payable (3560-10, Line 23)</u>			
Partnership fees payable	\$	5,852	
Accrued interest payable, current portion		2,919	
Developer fee payable		159,702	
Note payable, USDA RD, current portion		10,431	
Tenant prepaid rent		685	
Note payable, Bonneville, current portion		3,339	\$ 182,928
<u>4. Other (3560-10, Line 27)</u>			
Note payable, Bonneville loan	\$	341,178	
Less unamortized debt issuance cost		(63,896)	
Note payable, City of Gridley		2,080,000	
Accrued interest payable		111,800	\$ 2,469,082
<u>5. Miscellaneous (3560-7, Line 27)</u>			
Fees	\$	--	\$ --
<u>6. Accrual to cash adjustment (3560-7, Line 32)</u>			
Assets			
Accounts receivable	\$	8,862	
Prepaid expenses		(6,306)	
Security deposits		(1,256)	
Liabilities			
Accounts payable and accrued liabilities		1,286	
Accrued interest payable			
Security deposits		760	
Tenant prepaid rent		197	
Other adjustments			
Net non-operational partnership activity		(697)	
2017 Mortgage payment made in 2016		--	\$ 2,846

Chico Harvest Park, L.P.

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2016 and 2015

Chico Harvest Park, L.P.

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Balance Sheets	4
Statements of Operations	5
Statements of Partners' Equity (Deficit)	6
Statements of Cash Flows	7
Notes to Financial Statements	8
Supplementary Information	
Schedules of Certain Income and Expenses	18

Independent Auditor's Report

To the Partners
Chico Harvest Park, L.P.

We have audited the accompanying financial statements of Chico Harvest Park, L.P., which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, partners' equity (deficit) and cash flows for the years 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chico Harvest Park, L.P. as of December 31, 2016 and 2015, 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.

Adoption of New Accounting Principle

As discussed in Note 2 to the financial statements, in 2016 Chico Harvest Park, L.P. adopted a new accounting principle related to the presentation of debt issuance costs. Our report is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18 and 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Sacramento, California
February 28, 2017

Chico Harvest Park, L.P.

**Balance Sheets
December 31, 2016 and 2015**

Assets

	<u>2016</u>	<u>2015</u>
Investment in rental property, net	\$ 14,633,096	\$ 15,329,307
Cash	345,788	174,516
Restricted cash		
Escrows	27,971	26,978
Tenants' security deposits	52,100	52,400
Replacement reserve	77,929	49,918
Other reserves	341,535	339,211
	<u>499,535</u>	<u>468,507</u>
Total restricted cash		
	<u>499,535</u>	<u>468,507</u>
Tenants' accounts receivable, net	3,384	4,394
Prepaid expenses	7,288	6,725
Tax credit monitoring fees, net	35,773	38,755
Due from affiliates	-	396
	<u>-</u>	<u>396</u>
Total assets	<u>\$ 15,524,864</u>	<u>\$ 16,022,600</u>

Liabilities and Partners' Equity (Deficit)

Liabilities		
Accounts payable - operations	\$ 20,534	\$ 32,300
Accrued property management fees	3,385	3,487
Other accrued liabilities	30,336	18,948
Accrued interest - first mortgage	68,420	69,008
Accrued interest - other loans	724,374	561,787
Tenants' security deposits liability	50,000	51,000
Payable to general partner and affiliates	55,800	25,500
Annual fee payable to the investor limited partner	12,173	3,978
Mortgages and notes payable, net	13,377,624	13,360,541
Other liabilities - construction	5,950	22,538
	<u>14,348,596</u>	<u>14,149,087</u>
Total liabilities		
	<u>14,348,596</u>	<u>14,149,087</u>
Contingencies	-	-
Partners' equity (deficit)	<u>1,176,268</u>	<u>1,873,513</u>
Total liabilities and partners' equity (deficit)	<u>\$ 15,524,864</u>	<u>\$ 16,022,600</u>

Chico Harvest Park, L.P.

**Statements of Operations
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Revenue		
Rental income	\$ 809,688	\$ 786,527
Vacancies and concessions	(15,365)	(12,481)
Other operating income	<u>30,591</u>	<u>21,042</u>
Total revenue	<u>824,914</u>	<u>795,088</u>
Operating expenses		
Salaries and employee benefits	91,811	79,351
Repairs and maintenance	70,960	77,053
Utilities	67,239	89,565
Property management fee	38,478	37,422
Real estate taxes	2,395	72
Property insurance	28,736	28,028
Miscellaneous operating expenses	<u>78,492</u>	<u>86,155</u>
Total operating expenses	<u>378,111</u>	<u>397,646</u>
Net operating income (loss)	<u>446,803</u>	<u>397,442</u>
Other income (expense)		
Interest income	21	11
Interest expense - first mortgage	(175,355)	(177,308)
Interest expense - other loans	(191,440)	(189,860)
Other financial income (expense)	(87,663)	(92,307)
Miscellaneous other income (expense)	48,077	70,068
Annual fee payable to the investor limited partner	(8,195)	(7,957)
Other related party fees and expenses	(30,300)	(612,995)
Depreciation	(696,211)	(695,741)
Amortization	<u>(2,982)</u>	<u>(2,982)</u>
Total other income (expense)	<u>(1,144,048)</u>	<u>(1,709,071)</u>
Net loss	<u><u>\$ (697,245)</u></u>	<u><u>\$ (1,311,629)</u></u>

See Notes to Financial Statements.

Chico Harvest Park, L.P.

**Statements of Partners' Equity (Deficit)
Years Ended December 31, 2016 and 2015**

	<u>Administrative general partner</u>	<u>Managing general partner</u>	<u>Investor limited partner</u>	<u>Total partners' equity (deficit)</u>
Balance, December 31, 2014	\$ (75)	\$ (75)	\$ 1,998,592	\$ 1,998,442
Net loss	(65)	(66)	(1,311,498)	(1,311,629)
Contributions	<u>-</u>	<u>-</u>	<u>1,186,700</u>	<u>1,186,700</u>
Balance, December 31, 2015	(140)	(141)	1,873,794	1,873,513
Net loss	<u>(35)</u>	<u>(35)</u>	<u>(697,175)</u>	<u>(697,245)</u>
Balance, December 31, 2016	<u>\$ (175)</u>	<u>\$ (176)</u>	<u>\$ 1,176,619</u>	<u>\$ 1,176,268</u>
Partners' percentage of partnership losses	<u>0.005%</u>	<u>0.005%</u>	<u>99.99%</u>	<u>100.00%</u>

See Notes to Financial Statements.

Chico Harvest Park, L.P.

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Net loss	\$ (697,245)	\$ (1,311,629)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation	696,211	695,741
Amortization	2,982	2,982
Amortization of debt issuance costs	38,230	39,293
Bad debt	18,019	18,972
Write off of accounts payable	(16,588)	-
Changes in		
Escrows	(993)	(26,978)
Tenants' accounts receivable	(17,009)	(17,562)
Prepaid expenses	(563)	4
Due from affiliates	396	902
Accounts payable - operations	(11,766)	16,534
Accrued property management fees	(102)	(181)
Prepaid rent	11,388	2,281
Accrued interest - first mortgage	(588)	-
Accrued interest - other loans	191,440	189,860
Tenants' security deposits liability, net	(700)	1,200
Payable to general partner and affiliates	30,300	(261,575)
Annual fee payable to investor limited partner	8,195	(11,247)
Developer fee interest	-	(21,200)
Net cash provided by (used in) operating activities	<u>251,607</u>	<u>(682,603)</u>
Cash flows from investing activities		
Expenditures on rental property paid	-	(1,081)
Payment of developer fee	-	(638,547)
Deposits to replacement reserve	(28,011)	(49,918)
Withdrawals from other reserve	(2,324)	21,100
Net cash used in investing activities	<u>(30,335)</u>	<u>(668,446)</u>
Cash flows from financing activities		
Payments of mortgage notes payable	(50,000)	-
Contributions from partners	-	1,186,700
Financing costs paid	-	(19,765)
Refund of financing costs received from lender	-	43,000
Net cash (used in) provided by financing activities	<u>(50,000)</u>	<u>1,209,935</u>
Net increase (decrease) in cash	171,272	(141,114)
Cash, beginning	<u>174,516</u>	<u>315,630</u>
Cash, end	<u>\$ 345,788</u>	<u>\$ 174,516</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 137,713</u>	<u>\$ 159,215</u>
Supplemental schedule of non-cash investing and financing activities		
Accrued interest converted to loan principal	<u>\$ 28,853</u>	<u>\$ -</u>

See Notes to Financial Statements.

Chico Harvest Park, L.P.

Notes to Financial Statements December 31, 2016 and 2015

Note 1 - Organization and nature of operations

Chico Harvest Park, L.P. (the "Partnership") was formed as a limited partnership under the laws of the State of California on August 29, 2011 for the purpose of investing in and acquiring a fee interest in the land, constructing, developing, owning, improving, leasing, maintaining, operating, financing, mortgaging, and encumbering a residential rental housing project (the "Project"). The Project completed construction and commenced operating on December 30, 2013. The Project consists of 90 units located in Chico, California. The Project is currently operating under the name of Harvest Park.

The partnership agreement was amended and restated on January 1, 2013, from which date the Partnership consists of an administrative general partner, Chico Harvest Park, LLC, which owns 0.0050%, a managing general partner, Butte County Affordable Housing Development Corporation, which owns 0.0050%, and one investor limited partner, R4 HP Acquisition LLC, which owns 99.99%. All profits, losses and credits, except those gains and losses referred to in Section 7.2 of the amended partnership agreement (the "partnership agreement"), shall be allocated to the partners in accordance with their percentage interests.

Each building of the Project qualified for and has been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 ("Section 42"), which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. Each building of the Project must meet the provisions of the regulations during each of the 15 consecutive years in order to remain qualified to receive the tax credits. In addition the Partnership entered into an extended use regulatory agreement with the California tax credit agency which requires the use of the project in accordance with Section 42 for a minimum number of years even after disposition of the buildings by the Partnership.

The partnership agreement provides that the Partnership shall continue in existence until December 31, 2073, unless sooner dissolved and terminated by provisions of the partnership agreement or by operation of law.

Note 2 - Significant accounting policies

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, income is recognized as earned and expenses as incurred, regardless of the timing of payments.

Tenants' accounts receivable

Tenants' accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2016 and 2015, the allowance for doubtful accounts was \$16,983 and \$3,384, respectively.

Chico Harvest Park, L.P.

Notes to Financial Statements December 31, 2016 and 2015

Investment in rental property

Rental property is stated at cost and includes all cost of development and construction of the Project. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses will be reflected in the statement of operations. Depreciation is provided using the following methods and estimated useful lives:

	Method	Estimated useful lives
Building and improvements	Straight-line	40 years
Land improvements	Straight-line	15 years
Building equipment	Straight-line	5 years

Impairment of long-lived assets

The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment losses have been recognized during the years ended December 31, 2016 and 2015.

Deferred fees and amortization

Tax credit monitoring fees totaling \$44,727 are being amortized over the compliance period using the straight-line method. As of December 31, 2016 and 2015, accumulated amortization was \$8,954 and \$5,972, respectively.

Estimated amortization expense for each of the next five years following December 31, 2016 is \$2,982 per year.

Rental income

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases.

Advertising costs

Advertising and marketing costs are expensed as incurred.

Debt issuance costs

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

Income taxes

The Partnership is a pass-through entity for income tax purposes and, is not subject to income taxes. All items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a Partnership. The Partnership is required to

Chico Harvest Park, L.P.

Notes to Financial Statements December 31, 2016 and 2015

file and does file tax returns with the Internal Revenue Service ("IRS") and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2013 remain open.

Use of estimates

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Change in accounting principle

During 2016 the Partnership adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. It also improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by the Partnership on a retrospective basis. As a result, total assets as well as loans payable for the year ended December 31, 2015 have been reduced by the effect of the reclassification of debt issuance costs, net of accumulated amortization of \$356,854.

Reclassifications

Certain items from the prior year financial statements have been reclassified to conform to the current year presentation.

Note 3 - Investment in rental property, net

Rental property is comprised of the following as of December 31:

	2016	2015
Land	\$ 1,375,634	\$ 1,375,634
Land improvements	2,082,769	2,082,769
Buildings and improvements	11,974,275	11,974,275
Furniture and equipment	1,290,016	1,290,016
Subtotal	16,722,694	16,722,694
Accumulated depreciation	(2,089,598)	(1,393,387)
Net	<u>\$ 14,633,096</u>	<u>\$ 15,329,307</u>

Note 4 - Restricted cash

Replacement reserve

The Partnership is required to make monthly deposits to a replacement reserve account for use in funding future maintenance and replacement costs. Beginning from the conversion of the construction loan to permanent financing, monthly deposits are required based upon an initial amount of \$300 per unit per year. As of December 31, 2016 and 2015, the balance in the

Chico Harvest Park, L.P.

Notes to Financial Statements December 31, 2016 and 2015

replacement reserve account is \$77,929 and \$49,918, respectively. The replacement reserve activity is as follows:

	2016	2015
Balance, January 1	\$ 49,918	\$ -
Deposits	27,990	49,913
Interest income	21	5
Balance, December 31	<u>\$ 77,929</u>	<u>\$ 49,918</u>

Operating reserve

Pursuant to the partnership agreement, the Partnership is required to establish an operating reserve concurrent with the Rental Achievement Installment from the investor limited partner in the amount of \$250,000. As of December 31, 2016 and 2015, the balance in the operating reserve is \$250,000 and \$250,000, respectively, and is included in other reserves on the balance sheets.

Other reserves

Other reserves on deposit with Wells Fargo Corporate Trust Services are comprised of the following at December 31:

	2016	2015
Interest account	63,057	63,546
Borrower equity account	2,312	2,312
Principal redemption account	20,833	20,833
Fee's account	5,333	2,520
	<u>\$ 91,535</u>	<u>\$ 89,211</u>

Note 5 - Related party transactions

Capital contributions

Capital contributions amounting to \$5,019,000 are due from the limited partner when certain milestones are achieved as disclosed in the partnership agreement. The capital contributions due from the limited partner are subject to adjustments as defined in the partnership agreement. During 2016 and 2015, the limited partner contributed \$0 and \$1,186,700, respectively. As of December 31, 2016, all capital contributions have been received.

Capital contributions amounting to \$100 are due from the general partners. As of December 31, 2016 and 2015, the entire amount remains due.

Developer fee

The Partnership entered into a development agreement with an affiliate of the administrative general partner for services rendered in overseeing the development and construction of the Project until all development work is complete. The total fee was \$2,182,816; however, due to the limitations imposed by the California Tax Credit Allocation Committee, only \$1,995,743 has been earned and capitalized as a cost of the rental property. The developer fee was paid in full during the year ended December 2015.

Chico Harvest Park, L.P.

Notes to Financial Statements December 31, 2016 and 2015

Managing general partner fee

The Partnership entered into an agreement with the managing general partner for its services in monitoring the tenants and performing other duties as managing general partner, as defined in the partnership agreement. The annual fee is \$20,000. The fee is cumulative and payable only from the available cash flow of the Partnership, as defined in the partnership agreement. However, while the developer fee is outstanding, an \$11,000 portion shall not be payable or accrue. For the years ended December 31, 2016 and December 31, 2015, \$20,000 and \$20,000, respectively, was incurred and expensed. As of December 31, 2016 and 2015, \$35,500 and \$15,500, respectively, remains due and is included in payable to general partner and affiliates in the balance sheets.

Administrative general partner fee

The Partnership shall pay a fee to the administrative general partner for services rendered as defined in the partnership agreement. The annual fee is \$10,000, with annual increases of 3%. The fee is cumulative and payable only from the available cash flow or capital transaction proceeds of the Partnership, as defined in the partnership agreement. However, while the developer fee is outstanding, the fee shall not be payable or accrue. The annual fee plus any other distributions to the administrative general partner is not to exceed 84.995% of cash flow distributed to the partners. For the years ended December 31, 2016 and 2015, \$10,300 and \$10,000, respectively, was incurred. As of December 31, 2016 and 2015, \$20,300 and \$10,000, respectively, remains due and is included in payable to general partner and affiliates in the balance sheets.

Annual local administration fee

The Partnership is to pay an annual asset management fee to the investor limited partner for its services in monitoring the operations of the Partnership. The fee is cumulative and payable only from the available cash flow or capital transaction proceeds of the Partnership, as defined in the partnership agreement. The annual fee is \$7,500 with annual increases of 3%. For the years ended December 31, 2016 and 2015, \$8,195 and \$7,957, respectively, was incurred and expensed. As of December 31, 2016 and 2015, \$12,173 and \$3,978, respectively, remains payable.

Lease-up fee

In consideration for services rendered in connection with supervising the lease-up of the Project through the date of Rental Achievement, as defined, but no later than two years following the completion date, the administrative general partner shall earn the lease-up fee as defined in the partnership agreement. The Partnership shall not pay any portion of the lease up fee until rental achievement, as defined in the Partnership, has occurred. For the years ended December 31, 2016 and 2015, \$0 and \$582,995, respectively, was incurred and expensed. As of December 31, 2016 and 2015, no amount is due.

Cash flow distributions

As defined in the partnership agreement, cash flow, if available with respect to any Partnership accounting year, shall be applied or distributed annually, within 60 days after the end of the Partnership Accounting Year, but in no event earlier than the filing of the Partnership tax return for such year. Net cash flow is to be distributed as follows:

1. To the investor limited partner, any unpaid but accrued annual local administrative fees;
2. To replenish the operating reserve to the extent any withdrawals have been made;
3. To repay any loan payable to any Partner, including voluntary loans, other than loans payable to the general partner or its affiliates, applied first to accrued interest and then to principal;

Chico Harvest Park, L.P.

**Notes to Financial Statements
December 31, 2016 and 2015**

4. To the management agent, an amount equal to any accrued and unpaid deferred management fees;
5. To the managing general partner, an amount equal to \$9,000 of the MGP partnership management fee;
6. To the developer, an amount equal to all accrued but unpaid interest and principal in respect of the deferred development fee, applied first to accrued interest and then to principal;
7. To the managing general partner, an amount equal to \$11,000 of the MGP partnership management fee and any accrued and unpaid MGP partnership management fee;
8. To the administrative general partner, any unpaid but accrued AGP partnership management fees;
9. To repay any voluntary loan payable to the general partner or its affiliates, applied first to accrued interest and then to principal;
10. To the person making an operating deficit loan, to the extent of 50% of the remaining cash flow, an amount equal to the unpaid balance of any operating deficit loan made by such person;
11. To the payment of unpaid but accrued interest with respect to the City of Chico Loan;
12. To the payment of unpaid but accrued principal and interest with respect to the Housing Authority of the County of Butte Loan; and
13. The balance, 15% to the investor limited partner, 84.995% to the administrative general partner and .005% to the managing general partner.

Development deficit guaranty

During the development deficit period, as defined, the general partner shall advance the Partnership any amounts required to fund any development deficits and any operating deficits. As of December 31, 2016, no amounts were due under the guaranty.

Guaranty agreement

The partnership agreement provides for a guaranty agreement between affiliates of the general partners and the investor limited partner. The guarantors guarantee the following: i) the full and complete payment and performance by the general partner of the Special Obligations; ii) the full and complete payment and performance by the developer under the development agreement. As of December 31, 2016, no amounts were due under the guaranty.

Note 6 - Mortgages and notes payable

The Partnership entered into a loan agreement in the amount of \$10,711,311 of bonds issued by California Statewide Communities Development Authority from the proceeds of Affordable Multifamily Housing Revenue Bonds Series 2013 A-1 (\$4,300,000) ("Series 2013 A-1 bonds") and Series 2013 A-2 (\$6,411,311) ("Series 2013 A-2 bonds"). The bonds are secured by the Project.

The Series 2013 A-1 bonds bear interest at a fixed interest rate of 3.30% and mature on July 1, 2030. The Series 2013 A-1 bonds will be paid in biannual monthly installments of interest until conversion on January 1, 2016, when they will be paid in biannual installments of principal and

Chico Harvest Park, L.P.

**Notes to Financial Statements
December 31, 2016 and 2015**

interest in order to fully amortize the loan. For the years ended December 31, 2016 and 2015, interest of \$137,125 and \$138,015, respectively, was incurred and expensed. As of December 31, 2016 and 2015, the outstanding principal was \$4,250,000 and \$4,300,000, respectively, and accrued interest was \$68,420 and \$69,008 at December 31, 2016 and 2015, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$318,624 and \$356,854 as of December 31, 2016 and 2015, respectively, and are related to the first mortgage. During 2016 and 2015, amortization of debt issuance costs of \$38,230 and \$39,293, respectively, have been expensed and are included in interest expense - first mortgage in the statements of operations. Debt issuance costs on the above note are being amortized using an imputed rate of 4.3224%.

The Series 2013 A-2 bonds were paid in full during 2014.

The Partnership entered into a loan agreement in the amount of \$8,800,000 payable to CRA. The mortgage is secured by the Project and bears interest at 2%, which is payable from residual receipts. The loan matures March 1, 2066, at which time the entire principal and any outstanding interest are due. For the years ended December 31, 2016 and 2015, interest of \$176,000 and \$176,000, respectively, was incurred and expensed. As of December 31, 2016 and 2015, the outstanding principal was \$8,800,000 and \$8,800,000, respectively, and accrued interest was \$714,354 and \$538,354 at December 31, 2016 and 2015, respectively.

The Partnership entered into a loan agreement in the amount of \$600,000 payable to the Housing Authority of the County of Butte ("HACB"). The mortgage is secured by the Project and bears interest at 2.31%, which is payable annually from excess cash flow. The loan matures February 28, 2068, at which time the entire principal and any outstanding interest are due. For the years ended December 31, 2016 and 2015, interest of \$15,440 and \$13,860, respectively, was incurred and expensed. Interest is compounded and added to the principal on May 1st of each year. As of December 31, 2016 and 2015, the outstanding principal was \$646,248 and \$617,395, respectively, and accrued interest was \$10,020 and \$23,433 at December 31, 2016 and 2015, respectively.

The liability of the Partnership under the mortgages and notes payable is limited to the value of the underlying real estate collateral and an assignment of rents and other amounts deposited with the lenders.

Chico Harvest Park, L.P.

**Notes to Financial Statements
December 31, 2016 and 2015**

Principal payment requirements for each of the next five years and thereafter subsequent to December 31, 2016 are as follows:

	Series 2013 A-1	CRA	HACB	Total
2017	\$ 50,000	\$ -	\$ -	\$ 50,000
2018	50,000	-	-	50,000
2019	60,000	-	-	60,000
2020	60,000	-	-	60,000
2021	60,000	-	-	60,000
Thereafter	3,970,000	8,800,000	646,248	13,416,248
Subtotal	4,250,000	8,800,000	646,248	13,696,248
Less unamortized debt issuance costs	(318,624)	-	-	(318,624)
Total	<u>\$ 3,931,376</u>	<u>\$ 8,800,000</u>	<u>\$ 646,248</u>	<u>\$ 13,377,624</u>

Note 7 - Management agreement

The property is managed by WinnResidential California L.P., a related party, pursuant to a management agreement that provides for a management fee of 5% of monthly rental collections. For the years ended December 31, 2016 and 2015, management fees of \$38,478 and \$37,422, respectively, were incurred and expensed.

Note 8 - Economic concentration

The Partnership operates a 90-unit apartment project located in Chico, California. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Note 9 - Contingencies

Low-income housing tax credits

The Partnership's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. 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 plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.

Pending class action lawsuits against the management company

Former and current employees of the management company that perform work at the Partnership properties have brought two class action lawsuits alleging they were not properly compensated for work at the Partnership properties. The lawsuits request lost wages, interest, penalties and attorney's fees. The lawsuits are pending against the management company and some of its affiliates. The Partnership is not named in the lawsuits. The Partnership does, however, have certain indemnity obligations in favor of the management company. The Partnership has conditionally agreed to reimburse the management company for a portion of the potential wages which could be due to the Plaintiffs for work performed at the Partnership properties, such condition based upon final judgment that shows application of law that is beyond the management company's control. As of December 31, 2016, the Partnership estimated the potential costs to be \$3,251, which

Chico Harvest Park, L.P.

**Notes to Financial Statements
December 31, 2016 and 2015**

has been recorded as payroll expense and is included in other accrued liabilities on the balance sheet.

Note 10 - Concentration of credit risk

The Partnership maintains its cash with various financial institutions. The Partnership also maintains bond funded escrows and reserves. All escrows and reserves are held in trust accounts in the Partnership's name. At times, these balances may exceed the federal insurance limits; however, the Partnership has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2016.

Note 11 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Partnership through February 28, 2017, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

Supplementary Information

Chico Harvest Park, L.P.

**Schedules of Certain Income and Expenses
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Rental income		
Rent revenue - gross potential	\$ 698,821	\$ 728,324
Tenant assistance payments	<u>110,867</u>	<u>58,203</u>
Total rental income	<u>\$ 809,688</u>	<u>\$ 786,527</u>
Vacancies and concessions		
Apartment vacancies	<u>\$ 15,365</u>	<u>\$ 12,481</u>
Total vacancies and concessions	<u>\$ 15,365</u>	<u>\$ 12,481</u>
Other operating income		
Cable contract revenue	\$ 883	\$ 1,341
Security deposit forfeitures	-	100
Damages income	10,385	14,786
Late fees	2,055	3,400
Application fees	560	1,295
Write off of accounts payable	16,588	-
Miscellaneous other income	<u>120</u>	<u>120</u>
Total other operating income	<u>\$ 30,591</u>	<u>\$ 21,042</u>
Salaries and employee benefits		
Salaries - administrative	\$ 37,275	\$ 38,820
Salaries - maintenance	26,625	15,064
Payroll taxes	6,424	6,290
Health insurance and other benefits	14,056	10,833
Workmen's compensation insurance	<u>7,431</u>	<u>8,344</u>
Total salaries and employee benefits	<u>\$ 91,811</u>	<u>\$ 79,351</u>
Repairs and maintenance		
Exterminating	\$ 2,530	\$ 4,650
Grounds	23,013	22,722
Security services/contract	2,402	5,726
Supplies	8,809	15,610
Pool	281	-
Repairs and maintenance - other than contracts	475	-
Repairs and maintenance - contracts	23,089	28,345
Carpeting	9,841	-
Miscellaneous maintenance expenses	<u>520</u>	<u>-</u>
Total repairs and maintenance	<u>\$ 70,960</u>	<u>\$ 77,053</u>

Chico Harvest Park, L.P.

**Schedules of Certain Income and Expenses
Years Ended December 31, 2016 and 2015**

	2016	2015
Utilities		
Electricity	\$ 16,183	\$ 17,677
Sewer	38,881	61,615
Trash removal	10,474	9,559
Gas	1,111	714
Cable	590	-
	<u>67,239</u>	<u>-</u>
Total utilities	<u>\$ 67,239</u>	<u>\$ 89,565</u>
Miscellaneous operating expenses		
Office supplies and expense	\$ 6,456	\$ 7,449
Training and travel	9,037	1,859
Telephone and answering service	11,672	5,412
Bad debt expense	18,019	18,972
Other rent expense	90	891
Miscellaneous administrative	6,863	14,500
Rent free unit	8,442	10,646
Advertising and newspaper	1,230	2,047
Legal	4,575	5,390
Accounting	10,800	18,105
Other taxes, licenses and insurance	1,308	884
	<u>78,492</u>	<u>86,155</u>
Total miscellaneous operating expenses	<u>\$ 78,492</u>	<u>\$ 86,155</u>
Interest expense - other loans		
Interest expense CRA loan	\$ 176,000	\$ 176,000
Interest expense HACB loan	15,440	13,860
	<u>191,440</u>	<u>189,860</u>
Total interest expense - other loans	<u>\$ 191,440</u>	<u>\$ 189,860</u>
Other financial income (expense)		
Trustee fees	\$ (3,900)	\$ (5,317)
Credit enhancement, issuer, and servicing fees	(83,763)	(86,990)
	<u>(87,663)</u>	<u>(92,307)</u>
Total other financial income (expense)	<u>\$ (87,663)</u>	<u>\$ (92,307)</u>
Miscellaneous other income (expense)		
Refunds from the City of Chico	\$ 50,261	\$ 70,068
Miscellaneous other expense	(2,184)	-
	<u>48,077</u>	<u>70,068</u>
Total miscellaneous other income (expense)	<u>\$ 48,077</u>	<u>\$ 70,068</u>
Other related party fees and expenses		
Lease-up fee	\$ -	\$ 582,995
Managing general partner fee	20,000	20,000
Administrative general partner fee	10,300	10,000
	<u>30,300</u>	<u>612,995</u>
Total other related party fees and expenses	<u>\$ 30,300</u>	<u>\$ 612,995</u>

See Independent Auditor's Report.



Independent Member of Nexia International

cohnreznick.com

1200 Park Avenue, L. P.
(A California Limited Partnership)
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

1200 Park Avenue, L. P.
(A California Limited Partnership)

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL SECTION	
Balance Sheets	3
Statements of Operations:	4
Statements of Partners' Equity (Deficit)	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 13
SUPPLEMENTARY INFORMATION	
Calculation of Surplus Cash	15
Excess Cash Distribution Calculation as per LP Agreement	16

INDEPENDENT AUDITOR'S REPORT

The Partners of
1200 Park Avenue, L. P.
Chico, California

We have audited the accompanying financial statements of 1200 Park Avenue, L. P. (A California Limited Partnership), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, partners' equity (deficit), cash flows for the years 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of 1200 Park Avenue, L. P. as of December 31, 2016, and 2015, 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.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Calculation of Surplus Cash and Excess Cash Distribution Calculation per LP Agreement, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Patel & Associates, LLP

**Certified Public Accountants
Oakland, California
February 27, 2017**

1200 Park Avenue, L. P.
(A California Limited Partnership)
BALANCE SHEETS
DECEMBER 31, 2016 AND 2014

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash	\$ 166,826	\$ 82,104
Reserved cash	39,010	38,113
Investments - reserved	241,532	224,174
Prepaid expenses	10,143	11,478
Accounts receivables	<u>3,051</u>	<u>535</u>
Total current assets	<u>460,562</u>	<u>356,404</u>
Property and equipment - net (Note 2)	14,216,619	14,677,052
Other assets - net (Note 3)	<u>32,475</u>	<u>39,560</u>
Total Assets	<u><u>\$14,709,656</u></u>	<u><u>\$15,073,016</u></u>
LIABILITIES AND PARTNERS' EQUITY (DEFICIT)		
Current Liabilities:		
Account payable	\$ 2,606	\$ 118
Tenant security deposits	37,503	36,710
Accrued partner's fee		
Accrued liabilities	34,105	24,764
Unearned rent	2,582	1,649
Current portion on long term debt (Note 4)	<u>147,608</u>	<u>143,169</u>
Total Current Liabilities	<u>224,404</u>	<u>206,410</u>
Accrued interest payable, net of current portion (Note 4)	513,472	502,111
Long-term debt, net of current portion (Note 4)	<u>6,687,931</u>	<u>6,679,860</u>
Total Liabilities	7,425,807	7,388,381
Partners' equity	<u>7,283,849</u>	<u>7,684,635</u>
Total liabilities and partners' equity	<u><u>\$14,709,656</u></u>	<u><u>\$15,073,016</u></u>

The accompanying notes are an integral part of these financial statements

1200 Park Avenue, L. P.
(A California Limited Partnership)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2014

	<u>2016</u>	<u>2015</u>
Revenue:		
Rental Income	\$ 728,454	\$ 704,030
Vacancy loss	(7,337)	(9,209)
Miscellaneous other income	16,683	18,766
Interest income	<u>107</u>	<u>20</u>
Total Revenue	<u>737,907</u>	<u>713,607</u>
Expenses:		
Salaries and fringe benefits	43,292	99,667
Administration	24,780	52,627
Tenant services	13,777	4,719
Utilities	89,855	83,936
Maintenance	130,754	155,275
Management	36,393	35,193
Franchise tax	800	800
Insurance	49,192	15,549
Property taxes		274
Partnership fees	11,923	49,617
Interest	268,346	268,325
Amortization	7,085	8,040
Depreciation	460,433	460,755
Bad debts expense/ (reversal)	<u>2,063</u>	<u>5,166</u>
Total expenses	<u>1,138,693</u>	<u>1,239,943</u>
Net loss	<u>\$ (400,786)</u>	<u>\$ (526,336)</u>

The accompanying notes are an integral part of these financial statements

1200 Park Avenue, L. P.
(A California Limited Partnership)
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>BCAHDC</u>	<u>CCPXXVIII LP</u>	<u>CCPXXXIII LP</u>	<u>RCXXVIII SLP LLC</u>	<u>TOTAL</u>
Balance, January 1, 2015	\$ (348)	7,571,832	639,835	(348)	\$8,210,971
Net loss	<u>(52)</u>	<u>(485,375)</u>	<u>(40,856)</u>	<u>(53)</u>	<u>(526,336)</u>
Balance, December 31, 2015	(400)	7,086,457	598,979	(401)	7,684,635
Net loss	<u>(40)</u>	<u>(369,596)</u>	<u>(31,110)</u>	<u>(40)</u>	<u>(400,786)</u>
Balance, December 31, 2016	<u>\$ (440)</u>	<u>\$ 6,716,861</u>	<u>\$ 567,869</u>	<u>\$ (441)</u>	<u>\$7,283,849</u>

The accompanying notes are an integral part of these financial statements

1200 Park Avenue, L. P.
(A California Limited Partnership)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2014

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net loss	\$ (400,786)	\$ (526,336)
Adjustment to reconcile changes in net assets to net cash (used)/provided by operating activities		
Depreciation and amortization	467,518	468,795
Decrease / (Increase) in prepaid expenses	1,335	(418)
(Increase) in reserved cash and investments	(18,255)	(12,385)
(Increase) / Decrease in accounts receivable	(2,516)	1,973
Increase / (Decrease) in accounts payable	2,488	(4,364)
Increase / (Decrease) in unearned rent	933	(270)
Increase in tenancy security deposits	793	1,555
Increase /(decrease) in partner's accrued fees		196
Increase / (Decrease) in accrued liabilities	9,341	(9,423)
Increase in accrued interest	<u>11,361</u>	
Net Cash Provided/(Used) by Operating Activities	<u>72,212</u>	<u>(80,677)</u>
Cash flows from financing activities:		
Receipts from debt issuance	53,388	
Repayment of debt	<u>(40,878)</u>	<u>(16,669)</u>
Net Cash (Used) by Financing Activities	<u>12,510</u>	<u>(16,669)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>84,722</u>	<u>(97,346)</u>
Cash, beginning of year	<u>82,104</u>	<u>179,450</u>
Cash, end of year	<u>\$ 166,826</u>	<u>\$ 82,104</u>
Supplemental disclosures		
Interest paid	<u>\$ 224,844</u>	<u>\$ 255,820</u>
Income Tax paid	<u>\$ 800</u>	<u>\$ 800</u>

The accompanying notes are an integral part of these financial statements

1200 Park Avenue, L. P.
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the financial statements:

Nature of Operations

1200 Park Avenue, L. P. (A California Limited Partnership) was formed in March 2003, to own, maintain and operate a 107-unit senior citizen apartment complex (the Project). The Project is for persons of low and moderate income pursuant to the rules and regulations of Section 42 of the Internal Revenue Code. The Project is located in Chico, California. The major activities of the partnership are governed by the partnership agreement.

The Partnership constructed the Project in order to receive an allocation of Low Income Housing Tax Credits under Section 42 of the Internal Revenue Code. The Partnership operates under a Regulatory Agreement with the California Tax Credit Allocation Committee (TCAC) and Regulatory, Grant and Loan Agreements with the City of Chico (the successor agency to Chico Redevelopment Agency). These agreements govern rental charges and operating methods. The City of Chico granted and loaned the Project HOME Program funds, therefore, certain program requirements are required by the terms of these agreements. Each building of the Project has qualified and been allocated Low Income Housing Tax Credits pursuant to Internal Revenue Code Section 42, which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. Each building of the Project must meet the provisions of these regulations during each of the 55 consecutive taxable years in order to continue to qualify to receive the Low Income Housing Tax Credits. Failure to comply with occupant eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken Low Income Housing Tax Credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the limited partners.

The Partnership has received a reservation of LIHTC, under Section 42 of the Internal Revenue Code, in the annual amount of \$1,395,494 for ten years starting with the placed in service taxable year of 2006. The credits commenced in 2006 and end in 2015.

Organization

The Partnership consists of: one administrative general partner, 1200 Park Avenue LLC, with a 0% share; one managing general partner, Butte County Affordable Housing Development Corporation (BCAHDC), with a 0.01% share; two investor limited partners, Centerline Corporate Partners XXVIII, LP, with a 92.2177% share, and Centerline Corporate Partners XXXIII, LP, with a 7.7623% share; and one special limited partner, Related Corporate XXVIII SLP LLC, with a .01% share in the Partnership. Except as otherwise specified in the partnership agreement, all items of income, expense, gain, loss, tax credits, tax preferences and cash are allocated to the partners based on those percentages.

1200 Park Avenue, L. P.
(A California Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

Rental Income

The Partnership receives rental income from units which are reserved for people with low and moderate income. Rental income is recognized as the rents are earned. Rental payments received in advance are deferred. All leases between the Partnership and its tenants are operating leases. Contract rent increases are prohibited without prior approval of the managing general partner.

During the year ended December 31, 2016 the Partnership derived approximately 21% of its total revenue from tenant based rental assistance and 77% from tenant rents. During the year ended December 31, 2015, the Partnership derived approximately 19% of its total revenue from tenant based rental assistance and 80% from tenant rents. The Partnership derives substantially all of its revenues from its rental activity in Chico, California.

Financial Statement Presentation

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

Method of Accounting

The partnership uses the accrual basis of accounting.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements. Partners are taxed individually on their shares of the partnership earnings. The net income or loss is allocated to the partners in accordance with the regulations of the partnership.

Effective January 01, 2009, the provisions of U.S. generally accepted accounting principles require that a tax position be recognized or derecognized based on a more-likely-than-not threshold. This applies to tax positions taken or expected to be taken in a tax return. The implementation of these provisions had no impact on the Partnership's financial statements. The Partnership does not believe its financial statements include any uncertain tax positions.

Capitalization and Depreciation

Land, building, furniture, fixtures and improvements are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine 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. The resulting gains and losses are reflected in the Statements of Operations.

1200 Park Avenue, L. P.
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

Depreciation is provided using the straight-line method which are generally over a period of five years for computers and carpets, seven years for furniture, fixtures, and equipment to 40 years for buildings. All items under \$5,000, regardless of useful life, shall be expensed in accordance with Internal Revenue Service regulations and a written Capitalization Policy adopted by the BCAHDC Board of Directors.

The Partnership reviews its investment in real estate 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 real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2016 and 2015.

Cash and Cash Equivalents

The Partnership considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and deposit balances maintained with Bank of America amounted to \$216,751 and \$119,718 at December 31, 2016 and 2015, respectively. The Partnership did not maintain cash balances in excess of FDIC insured limits in any other financial institution during the years ended December 31, 2016 and 2015, respectively.

Use of 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Distributions

The payment of any compensation or distributions of income or other assets to any of its officers, directors or partners is approved by the General Partners in accordance with the Partnership Agreement. Allowable distributions are calculated by the General Partners based upon its computation of the Project's surplus cash position. Amounts distributed in 2016 and 2015 as per the surplus cash calculation were \$67,136 from 2015's excess cash and \$152,079 from 2014's excess cash.

1200 Park Avenue, L. P.
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

Below Market Loans

Section 42 of the Internal Revenue Code governs the administration of Low Income Housing Tax Credits (LIHTC), a tax incentive created to foster a legislated public policy directive of the United States to create low income housing. The Partnership was formed in order to create low income housing in order to generate LIHTC.

Other governmental entities, having a similar agenda to foster low income housing, have lent money to the Partnership at advantageous terms. The Partnership has not discounted these below market loans as they were made at arm's length and to preserve the integrity of costs eligible for tax credit under Section 42.

Restricted Deposits and Funded Reserves

(a) Mortgage Escrow Deposits - Replacement Reserves

The Partnership has a replacement reserve escrow account which is required by the Citibank, assumed from CCRC, mortgage agreement. The Partnership is required to make monthly payments to the escrow funds held by Berkadia Mortgage. During 2016 and 2015, the Partnership made deposits of \$32,100 and \$32,100, respectively, and withdrawals of \$14,803 and \$21,184, respectively. The account earned \$60 and \$10 of interest income, net of fees, during 2016 and 2015, respectively. As of December 31, 2016 and 2015, the balance was \$241,532 and \$224,174, respectively.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 629,523	\$ 629,523
Building	18,386,634	18,372,150
Furniture and equipment	<u>114,429</u>	<u>128,912</u>
Total	19,130,586	19,130,585
Accumulated Depreciation	<u>(4,913,967)</u>	<u>(4,453,533)</u>
Net property and equipment	<u><u>\$14,216,619</u></u>	<u><u>\$14,677,052</u></u>

1200 Park Avenue, L. P.
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

NOTE 3: OTHER ASSETS

Other assets consist of the following:

	2016	2015
Tax credit fees – 15 years	\$ 106,280	\$ 106,280
Organization expenses – 5 years	<u>2,462</u>	<u>2,462</u>
	108,742	108,742
Accumulated amortization	<u>(76,267)</u>	<u>(69,182)</u>
Net other assets	<u>\$ 32,475</u>	<u>\$ 39,560</u>

Straight-line amortization is used on the tax credit fees. Amortization for the years ended December 31, 2016 and 2015 was \$7,085 and 7,085 respectively. Organization expenses were completely amortized in 2015.

NOTE 4: LONG-TERM DEBT

Long-term debt at December 31, 2016 and 2015 consists of the following:

	2016	2015
Note payable to the Housing Authority of the County of Butte was issued on November 24, 2004 with original principal amount of \$675,000, secured by facilities, including interest at 4.84% per annum, payable only from residual receipts. Balance added to principal at June 1 if no residual receipts. Balance due November 2054. The Partnership incurred \$52,433 of interest expense during fiscal year 2016. At December 31, 2016, accrued interest on the Note was \$104,686.	\$ 1,104,578	\$ 1,053,585
Note payable to the City of Chico, acting as the successor agency to Chico Redevelopment Agency, was issued on May 29, 2003 with original principal amount of \$3,675,000, secured by land and buildings. Interest only at 2% per annum. The note matures on May 29, 2058. The Partnership incurred \$73,500 of interest expense during fiscal year 2016. At December 31, 2016, accrued interest on the note was \$513,472.	3,675,000	3,675,000

1200 Park Avenue, L. P.
(A California Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Note payable to the Citibank was issued on June 19, 2007 with original principal amount of \$2,261,000, secured by facilities payable in monthly installments of \$15,195 including interest at 7.10% per annum. The note matures on July 01, 2037. Partnership incurred \$141,457 of interest expense during fiscal year 2016.	<u>1,969,975</u> 6,749,553	<u>2,010,853</u> 6,739,438
Less: Long-term unamortized debt issuance costs	(17,745)	(18,700)
Less: current maturities included in current liabilities	<u>(43,877)</u>	<u>(40,878)</u>
	<u>\$ 6,687,931</u>	<u>\$ 6,679,860</u>

Following are maturities of long-term debt for each of the next five years and thereafter:

2017	\$ 43,877
2018	47,096
2019	50,550
2020	54,259
2021	58,239
Thereafter	<u>6,495,529</u>
Total	<u>\$ 6,749,550</u>

Current portion of long-term debts consist of the following:

	<u>2016</u>	<u>2015</u>
Accrued interest payable in one year	\$ 104,686	\$ 103,246
Current maturity of long-term debt	43,877	40,878
Less: Current portion of unamortized debt issuance costs	<u>(955)</u>	<u>(955)</u>
	<u>\$ 147,608</u>	<u>\$ 143,169</u>

NOTE 5: RESERVED CASH

As part of the partnership agreement the following cash reserves have been segregated:

	<u>2016</u>	<u>2015</u>
Replacement reserve	\$ 241,532	\$ 224,174
Security deposits	<u>39,010</u>	<u>38,113</u>
	<u>\$ 280,542</u>	<u>\$ 262,287</u>

1200 Park Avenue, L. P.
(A California Limited Partnership)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

NOTE 6: CITY OF CHICO HOME PROGRAM REGULATORY AGREEMENT

In consideration of a grant made by the city of Chico, and a loan made to 1200 Park Avenue, L. P. by the Chico Redevelopment Agency, the partnership has entered into regulatory agreements with the city and agency. These agreements set forth certain covenants, conditions, and restrictions regarding the manner in which 1200 Park Avenue, L. P. will hold and use the property and the 1200 Park Avenue, LP Housing Project. Generally, 1200 Park Avenue, L. P. agrees that for a 55-year period following issuance of an unconditional certificate of occupancy, it will cause the project to be used and held as a residence for low-income and very low-income senior citizen tenants subject to various covenants and conditions.

NOTE 7: TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Annual Local Administrative Fee

An annual local administrative fee (ALA Fee) of \$5,000 and \$5,000 was incurred in the years ended December 31, 2016 and 2015 to the special limited partner for services to be rendered in monitoring the operations of the partnership.

ALA fees of \$5,000 and \$5,000 were outstanding as of December 31, 2016 and 2015, respectively. ALA fees are allowed to accrue or are payable only to the extent of cash flow.

Supervisory Management Fee

The Partnership shall pay to the General Partner, yearly, supervisory management fee from available cash flow as determined by the Partnership Agreement. The Partnership incurred \$6,923 and \$6,723 supervisory management fees during the years ended December 31, 2016 and 2015, respectively.

Other Fees may be payable from excess cash flow from year to year in accordance with the partnership agreement. In 2016 the following payments were made from 2015 excess cash flow: \$0 was paid to BCAHDC for the Tax Credit Monitoring Fee; \$0 was paid to BCAHDC for the Supervisory Management Fee; and \$0 was paid to the Housing Authority of the County of Butte for interest on its loan to the partnership.

NOTE 8: SUBSEQUENT EVENTS

In preparing these financial statements, the partnership has evaluated events and transactions for potential recognition or disclosure through **February 27, 2017**, the date the financial statements were issued.

SUPPLEMENTARY INFORMATION

1200 Park Avenue, L. P.
(A California Limited Partnership)
CALCULATION OF SURPLUS CASH
DECEMBER 31, 2016

Profit or (loss) from operations	\$ (400,786)
Add: Depreciation and amortization	<u>468,474</u>
Cash flow from operations	<u>67,688</u>
Subtract: Transfers to replacement reserves (including interest)	(32,160)
Subtract: Capital improvements and other assets	0
Add: Tax credit monitoring fees paid from prior year	0
Add: MGP fees	0
Add: Increase to accrued fees (payable from residual receipts)	11,923
Add: Increase to accrued interest (payable from residual receipts)	125,933
Add: Transfers in from reserves	14,803
Subtract: Mortgage loan principal payments	<u>(40,878)</u>
Total Cash Flow Adjustments	<u>79,621</u>
Net cash Flow Available for Distribution	<u><u>\$ 147,309</u></u>

1200 Park Avenue, L. P.
(A California Limited Partnership)
EXCESS CASH DISTRIBUTION CALCULATION AS PER LP AGREEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

Excess Cash Flow		\$ <u>147,309</u>
<u>Distribution of Cash Flow, as per LPA Section 9.2.A:</u>		
i	Management Agent for any accrued mgt fees (N/A)	0
ii	Repay loan to any partner other than general partner (N/A)	0
iii	AHDC for completion loans (N/A)	0
iv	Developer for Contingent Developer Fee (paid in full)	0
v	Special Limited Partner Annual Local Admin Fee	(5,000)
inserted	Chico RDA Annual Interest Payment (as per Loan Agreement)	(73,500)
vi	General Partners Social Services Reimbursement Fee	(6,923)
vii	General Partners Tax Credit Monitoring Fee 2% Gross Effective Income:	
	<i>Gross Potential Rent</i>	728,454
	<i>Other Income (Tenant Charges/Laundry/Interest)</i>	16,683
	<i>Vacancy Loss & Concessions</i>	(7,337)
	<i>Change in Prepaid Rent</i>	933
	<i>Change in Accounts Receivable</i>	(497)
	<i>Tenant Bad Debt Write off</i>	<u>(2,063)</u>
	<i>Gross Effective Income</i>	736,173 (14,723)
viii	General Partners for Completion Loans (N/A)	<u>0</u>
	Remainder	47,163
ix	50% of remaining cash to Guarantors, Operating Loans (N/A)	<u>0</u>
	Remainder	47,163
x	HACB to pay HACB loan	<u>(31,186)</u>
	Remainder	15,977
xi	Supervisory Mgt Fee to General Partners: (not to exceed 8% of Gross Effective Income)	<u>15,977</u>
	Remainder	0
xii	Distribution to Partners:	
	Limited Partner (CCP XXVIII, LP)	92.2177% 0
	Limited Partner (CCP XXXIII, LP)	7.7623% 0
	Special Limited Partner (RC XXVIII SLP LLC)	0.0100% 0
	General Partners (BCAHDC)	0.0100% <u>0</u>
		<u>\$ 0</u>