COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
Consolidated Financial Statements
with
Report of Independent Auditors

For the Years Ended June 30, 2013 and 2012

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

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NOVOGRADAC & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Community Housing Partnership, a California nonprofit corporation, and affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Prior Period Financial Statements

The consolidated financial statements of Community Housing Partnership, a California nonprofit corporation, and affiliates as of June 30, 2012, were audited by other auditors whose report dated June 17, 2013, expressed an unmodified opinion on those statements.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 35 to 38 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual companies, and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014, on our consideration of the Organization'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 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 the Organization's internal control over financial reporting and compliance.

Novogradac & Company LLP

San Francisco, California
April 15, 2014

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

	Community Housing Partnership	*LIHTC Partnerships*	*Other Companies*	*Subtotal*	*Eliminations*	*Total*
ASSETS						
Current assets						
Cash and cash equivalents	$ 1,388,652	$ 444,852	$ 22,742	$ 1,856,246	$ -	$ 1,856,246
Receivables						
Government grants	1,033,623	-	-	1,033,623	-	1,033,623
Contract services	127,562	-	-	127,562	(10,758)	116,804
Related parties - current portion	200,403	6,785	-	207,188	(192,188)	15,000
Notes receivable	-	-	526,000	526,000	(526,000)	-
Rent, subsidy, and others	1,196,910	968,182	19,572	2,184,664	(115,002)	2,069,662
Prepaid expenses and deposits	448,520	45,719	-	494,239	-	494,239
Total current assets	4,395,670	1,465,538	568,314	6,429,522	(843,948)	5,585,574
Receivables						
Related parties - net of current portion	1,941,029	-	-	1,941,029	(1,941,029)	-
Restricted deposits						
Replacement, operating and other reserves	2,035,794	3,591,920	-	5,627,714	-	5,627,714
Tenant security deposits	80,886	103,676	-	184,562	-	184,562
Development in progress	37,838	-	1,016,819	1,054,657	-	1,054,657
Fixed assets - net	14,813,651	100,591,861	3,483,038	118,888,550	(16,519)	118,872,031
Intangible assets - net	-	358,392	-	358,392	-	358,392
Investment in other companies	2,068,974	-	1,556,682	3,625,656	(3,621,456)	4,200
Total assets	$ 25,373,842	$ 106,111,387	$ 6,624,853	$ 138,110,082	$ (6,422,952)	$ 131,687,130
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued expenses	$ 1,262,947	$ 375,828	$ 43,236	$ 1,682,011	$ (97,199)	$ 1,584,812
Development costs payable	-	930,247	-	930,247	-	930,247
Interest payable - current portion	18,038	118,639	-	136,677	-	136,677
Notes payable - current portion	56,292	8,021,201	-	8,077,493	-	8,077,493
Total current liabilities	1,337,277	9,445,915	43,236	10,826,428	(97,199)	10,729,229
Tenant security deposits	77,362	115,306	-	192,668	-	192,668
Related-party payable	478,721	1,606,935	188,810	2,274,466	(2,071,466)	203,000
Deferred income	8,478	488,855	-	497,333	1,119,982	1,617,315
Line of credit	346,855	-	-	346,855	-	346,855
Interest payable - net of current portion	4,637,480	2,844,276	-	7,481,756	-	7,481,756
Notes payable - net of current portion	10,688,829	57,094,250	4,360,549	72,143,628	(526,000)	71,617,628
Total non-current liabilities	16,237,725	62,149,622	4,549,359	82,936,706	(1,477,484)	81,459,222
Total liabilities	17,575,002	71,595,537	4,592,595	93,763,134	(1,574,683)	92,188,451
Net assets						
Unrestricted						
Controlling interest	1,733,374	1,640,689	2,032,258	5,406,321	(4,848,269)	558,052
Non-controlling interest	-	32,875,161	-	32,875,161	-	32,875,161
Total unrestricted net assets	1,733,374	34,515,850	2,032,258	38,281,482	(4,848,269)	33,433,213
Temporarily restricted	6,065,466	-	-	6,065,466	-	6,065,466
Total net assets	7,798,840	34,515,850	2,032,258	44,346,948	(4,848,269)	39,498,679
Total liabilities and net assets	$ 25,373,842	$ 106,111,387	$ 6,624,853	$ 138,110,082	$ (6,422,952)	$ 131,687,130

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

	Community Housing Partnership	*LIHTC Partnerships*	*Other Companies*	*Subtotal*	*Eliminations*	*Total*
ASSETS						
Current assets						
Cash and cash equivalents	$ 2,108,641	$ 596,804	$ 14,440	$ 2,719,885	$ -	$ 2,719,885
Receivables						
Government grants	711,539	-	-	711,539	-	711,539
Contract services	96,738	-	-	96,738	-	96,738
Contributions	206,597	-	-	206,597	-	206,597
Related parties - current portion	308,338	-	-	308,338	(268,338)	40,000
Notes receivable	-	-	516,000	516,000	(516,000)	-
Rent, subsidy, and others	321,049	270,585	199,262	790,896	(336,643)	454,253
Prepaid expenses and deposits	326,276	80,518	-	406,794	-	406,794
Total current assets	4,079,178	947,907	729,702	5,756,787	(1,120,981)	4,635,806
Receivables						
Related parties - net of current portion	1,649,115	63,844	37,500	1,750,459	(1,250,459)	500,000
Restricted deposits						
Replacement, operating and other reserves	1,918,368	1,414,220	-	3,332,588	-	3,332,588
Tenant security deposits	81,233	60,491	-	141,724	-	141,724
Development in progress	37,503	3,782,865	840,386	4,660,754	-	4,660,754
Fixed assets - net	15,865,408	59,768,718	3,450,000	79,084,126	16,519	79,100,645
Intangible assets - net	-	138,113	-	138,113	-	138,113
Investment in other companies	2,126,050	-	1,678,927	3,804,977	(3,800,728)	4,249
Marketable securities	4,394	-	-	4,394	-	4,394
Total assets	$ 25,761,249	$ 66,176,158	$ 6,736,515	$ 98,673,922	$ (6,155,649)	$ 92,518,273
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued expenses	$ 1,110,866	$ 181,329	$ 19,391	$ 1,311,586	$ (213,952)	$ 1,097,634
Development costs payable	-	1,388,887	-	1,388,887	-	1,388,887
Interest payable - current portion	18,038	86,711	-	104,749	-	104,749
Notes payable - current portion	45,133	-	-	45,133	-	45,133
Total current liabilities	1,174,037	1,656,927	19,391	2,850,355	(213,952)	2,636,403
Tenant security deposits	80,388	60,384	-	140,772	-	140,772
Related-party payable	667,409	378,191	93,860	1,139,460	(1,139,460)	-
Deferred income	136,888	571,074	49	708,011	845,942	1,553,953
Interest payable - net of current portion	4,220,331	1,911,986	-	6,132,317	-	6,132,317
Notes payable - net of current portion	10,779,024	44,352,466	4,416,508	59,547,998	(805,148)	58,742,850
Total non-current liabilities	15,884,040	47,274,101	4,510,417	67,668,558	(1,098,666)	66,569,892
Total liabilities	17,058,077	48,931,028	4,529,808	70,518,913	(1,312,618)	69,206,295
Net assets						
Unrestricted						
Controlling interest	2,557,769	1,430,178	2,206,707	6,194,654	(4,843,031)	1,351,623
Non-controlling interest	-	15,814,952	-	15,814,952	-	15,814,952
Total unrestricted net assets	2,557,769	17,245,130	2,206,707	22,009,606	(4,843,031)	17,166,575
Temporarily restricted	6,145,403	-	-	6,145,403	-	6,145,403
Total net assets	8,703,172	17,245,130	2,206,707	28,155,009	(4,843,031)	23,311,978
Total liabilities and net assets	$ 25,761,249	$ 66,176,158	$ 6,736,515	$ 98,673,922	$ (6,155,649)	$ 92,518,273

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2013

	Community Housing Partnership	*LIHTC Partnerships*	*Other Companies*	*Subtotal*	*Eliminations*	*Total*
Change in unrestricted net assets						
Revenue and other support						
Government grants	$ 3,628,862	$ -	$ -	$ 3,628,862	$ -	$ 3,628,862
Contributions	543,357	-	-	543,357	(60,523)	482,834
In-kind contributions	236,670	-	-	236,670	-	236,670
Contract service income	1,116,389	-	-	1,116,389	(44,508)	1,071,881
Rent and subsidy income - net	3,376,823	1,736,147	-	5,112,970	-	5,112,970
Local Operating Subsidy Program grant	333,694	2,790,386	-	3,124,080	-	3,124,080
Developer fees	567,000	-	-	567,000	(567,000)	-
Related party fees	1,016,035	-	-	1,016,035	(989,231)	26,804
Loss from invesment in other companies	(57,076)	-	(130,715)	(187,791)	187,791	-
Interest income and other income	80,909	8,663	81,384	170,956	-	170,956
Investment income	3,429	-	-	3,429	-	3,429
Total revenue and other support	10,846,092	4,535,196	(49,331)	15,331,957	(1,473,471)	13,858,486
Net assets released from restrictions	244,897	-	-	244,897	-	244,897
Total unrestricted revenue and support	11,090,989	4,535,196	(49,331)	15,576,854	(1,473,471)	14,103,383
Expenses						
Program services	9,375,271	4,641,967	125,118	14,142,356	(1,534,462)	12,607,894
Management and general	1,486,234	-	-	1,486,234	-	1,486,234
Fundraising	346,734	-	-	346,734	-	346,734
Total expenses before deferred interest, depreciation and amortization	11,208,239	4,641,967	125,118	15,975,324	(1,534,462)	14,440,862
Change in unrestricted net assets before deferred interest, depreciation and amortization	(117,250)	(106,771)	(174,449)	(398,470)	60,991	(337,479)
Deferred interest	403,355	617,284	-	1,020,639	-	1,020,639
Depreciation and amortization	864,848	2,772,365	-	3,637,213	(33,820)	3,603,393
Total deferred interest, depreciation and amortization	1,268,203	3,389,649	-	4,657,852	(33,820)	4,624,032
Gain on involuntary conversion	561,058	-	-	561,058	-	561,058
Change in unrestricted net assets	(824,395)	(3,496,420)	(174,449)	(4,495,264)	94,811	(4,400,453)
Change in temporarily restricted net assets						
Contributions	164,960	-	-	164,960	-	164,960
Release from temporarily restricted net assets	(244,897)	-	-	(244,897)	-	(244,897)
Change in temporarily restricted net assets	(79,937)	-	-	(79,937)	-	(79,937)
Total change in net assets	(904,332)	(3,496,420)	(174,449)	(4,575,201)	94,811	(4,480,390)
Net assets, beginning of year	8,703,172	17,245,130	2,206,707	28,155,009	(4,843,031)	23,311,978
Capital adjustment	-	(3,050,185)	-	(3,050,185)	(49)	(3,050,234)
Transfer of capital - controlling interest	-	4,596	-	4,596	-	4,596
Capital contributions - controlling interest	-	206,266	-	206,266	(100,000)	106,266
Capital contributions - non-controlling interest	-	23,722,963	-	23,722,963	-	23,722,963
Syndication costs	-	(116,500)	-	(116,500)	-	(116,500)
Net assets, end of year	$ 7,798,840	$ 34,515,850	$ 2,032,258	$ 44,346,948	$ (4,848,269)	$ 39,498,679

Reconciliation of net assets	
Controlling interest	
Beginning of year	$ 7,497,026
Transfer of capital	4,596
Capital adjustment	(51)
Capital contributions	106,266
Changes in net assets	(984,319)
End of year	6,623,518
Non-controlling interest	
Beginning of year	15,814,952
Capital adjustment	(3,050,183)
Capital contributions	23,722,963
Syndication costs	(116,500)
Changes in net assets	(3,496,071)
End of year	32,875,161
Net assets, end of year	$ 39,498,679

see accompanying notes to consolidated financial statements

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Community Housing Partnership	*LIHTC Partnerships*	*Other Companies*	*Subtotal*	*Eliminations*	*Total*
Change in unrestricted net assets						
Revenue and other support						
Government grants	$ 4,072,299	$ -	$ -	$ 4,072,299	$ -	$ 4,072,299
Contributions	201,015	-	-	201,015	-	201,015
In-kind contributions	90,145	-	-	90,145	-	90,145
Contract service income	949,470	-	-	949,470	-	949,470
Rent and subsidy income - net	3,336,789	778,219	-	4,115,008	-	4,115,008
Local Operating Subsidy Program grant	161,385	1,962,153	-	2,123,538	-	2,123,538
Developer fees	446,232	-	-	446,232	(378,000)	68,232
Related party fees	873,331	-	-	873,331	(830,213)	43,118
Income from invesment in other companies	1,110,262	-	-	1,110,262	(1,110,103)	159
Interest income	258,478	46,069	76,821	381,368	(28,216)	353,152
Total revenue and other support	11,499,406	2,786,441	76,821	14,362,668	(2,346,532)	12,016,136
Net assets released from restrictions	720,408	-	-	720,408	-	720,408
Total unrestricted revenue and support	12,219,814	2,786,441	76,821	15,083,076	(2,346,532)	12,736,544
Expenses						
Program services	8,647,198	2,944,300	87,449	11,678,947	(1,099,506)	10,579,441
Management and general	1,153,575	-	-	1,153,575	-	1,153,575
Fundraising	327,577	-	-	327,577	-	327,577
Total expenses before deferred interest, depreciation and amortization	10,128,350	2,944,300	87,449	13,160,099	(1,099,506)	12,060,593
Change in unrestricted net assets before deferred interest, depreciation and amortization	2,091,464	(157,859)	(10,628)	1,922,977	(1,247,026)	675,951
Deferred interest	413,871	413,596	-	827,467	-	827,467
Depreciation and amortization	819,487	1,955,524	-	2,775,011	-	2,775,011
Total deferred interest, depreciation and amortization	1,233,358	2,369,120	-	3,602,478	-	3,602,478
Change in unrestricted net assets	858,106	(2,526,979)	(10,628)	(1,679,501)	(1,247,026)	(2,926,527)
Change in temporarily restricted net assets						
Contributions	204,983	-	-	204,983	-	204,983
Release from temporarily restricted net assets	(720,408)	-	-	(720,408)	-	(720,408)
Change in temporarily restricted net assets	(515,425)	-	-	(515,425)	-	(515,425)
Total change in net assets	342,681	(2,526,979)	(10,628)	(2,194,926)	(1,247,026)	(3,441,952)
Net assets, beginning of year	8,410,049	15,354,690	1,051,427	24,816,166	(2,149,402)	22,666,764
Capital adjustments	(49,558)	1,594	-	(47,964)	-	(47,964)
Transfer of capital - controlling interest	-	678,557	1,090,808	1,769,365	(1,446,603)	322,762
Transfer of capital - non-controlling interest	-	2,966,946	-	2,966,946	-	2,966,946
Capital contributions - controlling interest		25,100	75,100	100,200	-	100,200
Capital contributions - non-controlling interest	-	745,222	-	745,222	-	745,222
Net assets, end of year	$ 8,703,172	$ 17,245,130	$ 2,206,707	$ 28,155,009	$ (4,843,031)	$ 23,311,978

Reconciliation of net assets	
Controlling interest	
Beginning of year	$ 8,037,252
Capital contributions	100,200
Capital adjustments	(47,963)
Transfer of capital	322,762
Changes in net assets	(915,225)
End of year	7,497,026
Non-controlling interest	
Beginning of year	14,629,512
Capital contributions	745,222
Transfer of capital	2,966,946
Changes in net assets	(2,526,728)
End of year	15,814,952
Net assets, end of year	$ 23,311,978

see accompanying notes to consolidated financial statements

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (4,480,390)	$ (3,441,952)
Adjustments to reconcile change in net assets to net cash (used by) provided by operating activities		
Gain on involuntary conversion	(561,058)	-
Investment income	(3,429)	-
Depreciation and amortization	3,603,393	2,775,011
Amortization of deferred revenue - development fee	(33,820)	(25,974)
(Gain) loss from investments in other companies	-	545,404
(Increase) decrease in assets		
Accounts receivable	(747,236)	349,794
Related party receivable	525,000	447,957
Prepaid expenses and deposits	(81,338)	(101,091)
Tenant security deposits	550	(8,334)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	50,704	146,611
Related party payable	102,642	(89,700)
Deferred income	97,182	471,812
Tenant security deposits payable	(5,569)	8,603
Interest payable	919,849	839,812
Net redemption of marketable securities	7,823	-
Net cash (used by) provided by operating activities	(605,697)	1,917,953
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in restricted deposit for reserves	(1,807,422)	(279,504)
Net decrease (increase) in development in progress	4,626,491	(2,092,084)
Purchase of property and equipment	(12,365,182)	(1,077,114)
Increase in intangible assets	(81,757)	-
Payment of development costs payable	(2,108,660)	-
Cash from assuming controlling interest in 365 Fulton, L.P.	955,491	-
Net cash used by investing activities	(10,781,039)	(3,448,702)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions - controlling interest	106,266	100,200
Capital contributions - non-controlling interest	23,722,963	745,222
Transfer of capital - controlling interest	-	322,762
Transfer of capital - non-controlling interest	-	2,966,946
Capital adjustment	-	(47,964)
Payment of notes payable	(31,175,332)	(11,896,449)
Procceds from line of credit	346,855	-
Proceeds from notes payable, net	17,638,845	9,373,383
Syndication costs	(116,500)	-
Net cash provided by financing activities	10,523,097	1,564,100
Net (decrease) increase in cash and cash equivalents	(863,639)	33,351
Cash and cash equivalents at beginning of year	2,719,885	2,686,534
Cash and cash equivalents at end of year	$ 1,856,246	$ 2,719,885
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 486,446	$ 386,508
Interest capitalized to fixed assets	$ 85,237	$ -
Supplemental disclosure noncash activities		
Assets acquired by assuming current liabilities	$ -	$ 1,388,887
Assets acquired by assuming notes payable	$ -	$ 16,610,100
Increase in fixed assets and development costs payable	$ 910,678	$ -
Increase in fixed assets and notes payable	$ 109,716	$ -
Assets acquired by assuming controlling interest in 365 Fulton, L.P.	$ 32,127,988	$ -
Liabilities acquired by assuming controlling interest in 365 Fulton, L.P.	$ 36,129,066	$ -

see accompanying notes to consolidated financial statements

1. <u>Organization</u>

Community Housing Partnership ("CHP") is a California non-profit public benefit corporation and was incorporated in March 1990. Community Housing Partnership mission is to help homeless people secure housing and become self-sufficient. Through an integrated network of services, from housing to employment, Community Housing Partnership ensures each client has an individualized pathway to success. For the purposes of CHP's financial statements, activities are divided into these functional areas:

Property Management: Community Housing Partnership provides management of the properties owned and/or leased by the Organization. Community Housing Partnership also provides other fee-based services to properties they do not own or lease.

Support Services: Community Housing Partnership provides support services to formerly homeless individuals and families living in affordable housing.

Workforce Development: Community Housing Partnership prepares and assists clients living in affordable housing to enter the workforce in lobby services positions. Community Housing Partnership's social enterprise, doing business as Solutions SF, provides front desk staffing services to numerous clients in San Francisco.

Housing Development: Community Housing Partnership develops affordable housing for homeless individuals and families.

Fundraising: Community Housing Partnership raises funds for the Organization's programs and operations.

Management and General: Community Housing Partnership provides administrative support to each of the program areas listed above.

CHP is the sole member of limited liability companies (LLC's) that hold, or intend to hold, a controlling general partner interest in their respective limited partnerships providing affordable housing. These entities, which are included in the consolidated financial statements of Community Housing Partnership and Affiliates in accordance with generally accepted accounting principles, are single-member LLC's holding a controlling general partner interest in their respective limited partnerships that provide, or will provide, affordable housing:

Limited Liability Companies	*Limited Partnerships*
CHP Essex LLC	Hotel Essex, L.P.
CHP Eddy LLC	650 Eddy, L.P.
CHP San Cristina LLC	San Cristina, L.P.
CHP Scott Street LLC	CHP Scott Street, L.P.
Treasure Island Family Services Space LLC	None (property management services)
CHP Ellis LLC	473 Ellis, L.P.
CHP Arendt LLC	Arendt House, L.P.
CHP Fulton Street LLC	365 Fulton, L.P.

1. Organization (continued)

The consolidated financial statements do not include the following entities where CHP is deemed to not have control. These entities are accounted for under the equity method of accounting and are enumerated as follows:

Limited Liability Company	*Limited Partnership*
Folsom Essex LLC	25 Essex, L.P.

2. Summary of significant accounting policies and nature of operations

Principles of consolidation
The consolidated financial statements include the accounts of CHP, a nonprofit corporation, and the activity of limited partnerships and limited liability companies that are controlled by CHP. All significant intercompany transactions and balances have been eliminated in these consolidated financial statements.

Non-controlling interest
The non-controlling interest represents the aggregate balance of the limited partners' equity interests in Hotel Essex, L.P., 650 Eddy, L.P., 473 Ellis, L.P., Arendt House, L.P., and 365 Fulton, L.P. that are included in the consolidated financial statements. The aggregate balance, if any, of the limited partners' interest are shown in unrestricted net assets.

Basis of accounting
The Organization uses the accrual method of accounting consistent with accounting principles generally accepted in the United States of America, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Use of estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Financial statement presentation
The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations that may or will be expendable by the board for any purpose in performing the Organization's primary objectives.

Temporarily Restricted Net Assets: Net assets that are subject to donor-imposed stipulations that may or will be met either by the Organization's actions and/or the passage of time.

2. Summary of significant accounting policies and nature of operations (continued)

Financial statement presentation (continued)
Permanently Restricted Net Assets: Net assets that are subject to donor-imposed stipulations whereby the resources are to be preserved in perpetuity.

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

As of June 30, 2013 and 2012, cash balances in excess of the federal insured limits totaled $1,533,334 and $1,772,000 respectively.

Cash and cash equivalents
Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for refunds of tenant security deposits, funding of operating deficits, and repairs or improvements to the buildings which extend their useful lives.

Accounts receivable
Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of June 30, 2013 and 2012, the balance of the allowance for doubtful accounts was $0.

Investments
CHP's investment in other companies is recorded using the equity method. The investments were initially recorded at cost and then adjusted for CHP's proportionate share of undistributed earnings or losses. Investments in other companies which are majority controlled by CHP are eliminated in these consolidated financial statements.

Fixed assets and depreciation
Purchased fixed assets are stated at cost. The cost associated with the development and the construction of real properties is capitalized. The cost of maintenance and repairs is expensed as incurred while improvements are capitalized.

The useful lives of the assets are estimated as follows:

Buildings 27.5 to 55 years
Building improvements 15 to 55 years
Furniture and equipment 3 to 10 years

2. Summary of significant accounting policies and nature of operations (continued)

Fixed assets and depreciation (continued)
Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Depreciation expense during the years ended June 30, 2013 and 2012 was $3,581,971 and $2,763,218, respectively.

Intangible assets and amortization
Permanent loan fees are amortized on a straight-line basis over the life of the respective loan. Tax credit fees are amortized over the tax credit compliance period. Amortization expense for the years ended June 30, 2013 and 2012 was $21,422 and $11,793 respectively.

Fair value measurements
The Organization applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the Organization's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Organization's own assumptions.

2. Summary of significant accounting policies and nature of operations (continued)

Fair value measurements (continued)
The following table presents certain assets that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of June 30, 2013 and 2012:

	June 30, 2013			
	Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Marketable securities	$ -	$ -	$ -	$ -

	June 30, 2012			
	Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Marketable securities	$ 4,394	$ -	$ -	$ 4,394

Investments in marketable securities consists of mutual funds and are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker dealer quotations or alternative pricing sources with reasonable levels of price transparency.

Impairment of long-lived assets
The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. There were no impairment losses recognized during the years ended June 30, 2013 and 2012.

Development in progress
The Organization incurs costs during the rehabilitation phase of each affordable housing project undertaken. Such costs include governmental fees, legal and consulting fees needed to investigate the feasibility and arrange for the financing of each project under consideration, as well as construction costs. These costs are recorded as assets (development in progress) and are usually recoverable from loan proceeds, grants or other equity sources. Project rehabilitation costs are considered to be construction in progress until the project is placed in service. Construction in progress is not depreciated until the completion of development. Any funds expended on a project that do not pass beyond the predevelopment stage are recorded as expenses when activity on the project ceases.

Rental income
Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. Vacancy loss and rent concessions are shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations.

2. Summary of significant accounting policies and nature of operations (continued)

Revenue recognition
Contributions are recognized as revenue when they are unconditionally given. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. The Organization reports temporarily restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions.

Contract service revenue is recognized when earned and represents fees earned by the Organization for other services provided under various agreements and contracts in connection with the Organization's exempt purpose.

Development fees
CHP recognizes developer fee revenue as earned during the predevelopment period based on a specific percentage related to the services performed during the predevelopment phase of the project.

The remaining portion of developer fees, not recognized at construction loan closing, is recognized over the remainder of the development period, beginning in the month of construction commencement, using the percentage of completion method. The completion will be marked by the benchmarks including: the construction completion, and/or full lease up according to the agreement. The percentage of completion will generally be measured as total construction costs incurred to date divided by total construction costs identified in the construction contract or as the project reaches other agreed upon benchmarks.

Developer fees earned on the development of properties owned by CHP, either temporarily or permanently, and where the fees are obtained from loan draws, are not recognized as income.

Developer fee profits recognized from subsidiaries are eliminated as intercompany transactions. CHP estimates that 60% of its developer fees cover related project costs. Project costs include costs of development, such as consultants, allocated internal salaries and benefits, related overhead, and other non-reimbursed fees that are ordinarily capitalized. The 40% profit portion of the development fees is considered deferred income and amortized annually to offset the depreciation expense related to the fee capitalized as real property costs.

Investments
All debt and equity securities are carried at estimated fair value. Realized gains and losses on investments are determined using the specific-identification method. Unrealized gains and losses arise from changes in the fair value of debt and equity securities and are reported in the consolidated statements of activities as increases or decreases in unrestricted net assets.

2. Summary of significant accounting policies and nature of operations (continued)

Income taxes
CHP is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d).

Single member limited liability companies are disregarded as an entity separate from its owner.

Income taxes on affiliated partnerships are levied on the partners in their individual capacity. Accordingly, all profits and losses of the partnerships are recognized by each partner on its respective tax return. Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. Management has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses.

Guarantees
Generally accepted accounting principles require a liability to be recorded for the fair value of the stand ready obligation associated with a guarantee issued after December 31, 2002. Guarantees issued between entities under common control or on behalf of an entity under common control are excluded. Consequently, no liabilities have been recorded as all guarantees are considered to be issued to entities under common control.

Economic concentration
The Organization operates various properties located in San Francisco, California. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in demand for such housing and supportive services.

In-kind contributions
Donated services - The Organization receives various volunteer services throughout the year. The fair value of donated services are recognized in the financial statements if the services either (i) create or enhance a nonfinancial asset, or (ii) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. During the years ended June 30, 2013 and 2012, the value of volunteer services totaled $156,420 and $90,145, respectively, and is included in in-kind contributions on the accompanying consolidated statements of activities.

Donated assets – Donated assets are recorded at fair value on the date of donation. The Organization received donated assets valued at $80,250 and $0 during the years ended June 30, 2013 and 2012, respectively, and is included in in-kind contributions on the accompanying consolidated statements of activities.

2. Summary of significant accounting policies and nature of operations (continued)

Reclassifications
Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation.

Subsequent events
Subsequent events have been evaluated through April 15, 2014, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Restricted cash

The Organization's restricted cash consisted of the following at June 30, 2013 and 2012:

	2013				
	Replacement Reserves	Operating Reserves	Transition Reserves	Subsidy Reserves	Total
Senator Hotel	$ 342,393	$ 342,186	$ -	$ -	$ 684,579
San Cristina Hotel	153,026	181,328	-	-	334,354
Iroquois Hotel	168,568	228,842	-	-	397,410
Island Bay Homes	351,601	219,310	-	48,540	619,451
Hotel Essex, L.P.	186,948	158,756	-	400	346,104
650 Eddy, L.P.	221,077	233,338	252,253	2,456	709,124
Arendt House, L.P.	88,622	192,572	-	153,216	434,410
473 Ellis, L.P.	22,305	151,560	-	-	173,865
365 Fulton, L.P.	170,982	1,233,377	120,535	403,523	1,928,417
	$ 1,705,522	$ 2,941,269	$ 372,788	$ 608,135	$ 5,627,714

	2012				
	Replacement Reserves	Operating Reserves	Transition Reserves	Subsidy Reserves	Total
Senator Hotel	$ 316,733	$ 341,733	$ -	$ -	$ 658,466
San Cristina Hotel	116,311	181,137	-	-	297,448
Iroquois Hotel	224,978	228,574	-	-	453,552
Island Bay Homes	241,413	218,976	-	48,513	508,902
Hotel Essex, L.P.	286,402	214,840	-	5,021	506,263
650 Eddy, L.P.	171,100	233,091	251,896	2,509	658,596
Arendt House, L.P.	60,419	188,942	-	-	249,361
	$ 1,417,356	$ 1,607,293	$ 251,896	$ 56,043	$ 3,332,588

The Organization is required by certain loan and regulatory agreements to maintain separate replacement reserves, operating reserves and other reserve accounts, withdrawal from which normally requires prior approval from the lenders or regulatory agencies.

3. Restricted cash (continued)

Senator Hotel – In accordance with the MHP loan agreement, CHP was required to make an annual deposit of $37,845 to the replacement reserve plus annual deposits to the operating reserve in accordance with the annual budget. The balances in these reserves exceed the maximum statutory threshold and thus no further deposits to the operating reserve are currently required. CHP is making annual discretionary deposits as approved by MHP.

San Cristina Hotel – In accordance with the 1991 loan agreement with the Mayor's Office of Housing (MOH), CHP is required to make monthly deposits of 3% of gross income to the replacement reserve account and 2% of gross income to the operating reserve account.

Iroquois Hotel – In accordance with the 1995 loan agreement with the City of San Francisco, CHP was required to make an annual deposit of $10,679. However, management is making additional discretionary deposits as approved by MOH. This agreement also requires CHP to make monthly deposits of 2.5% of average monthly operating expenses for the previous year, to the operating reserve account, until such time as the reserve reaches a balance of 25% of prior year operating expenses.

Island Bay Homes – In accordance with the loan agreement with the City and County of San Francisco, CHP was required to fund $500 per unit per year increasing by 3.5% annually. By agreement with the City and County of San Francisco, all deposits were suspended for the fiscal year ended June 30, 2011. CHP was required to resume annual deposits of $640 per unit in the fiscal year ended June 30, 2012. CHP did not deposit the required funds during the fiscal year ended June 30, 2012, but subsequently made the required deposit after year-end. CHP is also required to maintain an operating reserve with a balance of 25% of prior year operating expenses. During the fiscal year ended June 30, 2010, by agreement with the City and County of San Francisco, CHP set up a separate subsidy reserve in the amount of $128,440, which was transferred from the operating reserves. The reserve was established to supplement anticipated future negative cash flows at the project.

Hotel Essex, L.P. – In accordance with the partnership agreement and the lenders' regulatory agreements, the replacement reserve is required to be funded in the annual amount of $45,000. The agreements also require the partnership to maintain an operating reserve that is required to be funded monthly in an amount equal to one twelfth of 3% of the prior year's actual project expenses until the balance in the operating reserve equals at least 25% of the prior year's actual project expenses. In addition to the replacement and operating reserves, the partnership is required to maintain an operating subsidy reserve account in accordance with the Local Operating Subsidy Program grant agreement with the City and County of San Francisco. The operating subsidy reserve account is used to deposit any excess subsidy payments received from the City that have not been earned during the year.

3. Restricted cash (continued)

650 Eddy, L.P. – In accordance with the partnership agreement and the lenders' regulatory agreements, the replacement reserve is required to be funded in the annual amount of $49,800. The agreements also require the partnership to maintain an operating reserve that is required to be funded monthly in an amount equal to one twelfth of 3% of the prior year's actual project expenses until the balance in the operating reserve equals at least 25% of the prior year's actual project expenses. The partnership is also required to maintain a transition reserve in accordance with the partnership agreement and the lenders' regulatory agreement. The reserve was required to be funded in an initial amount of $250,000 with no subsequent deposits required to be made. In addition to the replacement, operating, and transition reserves, the partnership is required to maintain an operating subsidy reserve account in accordance with the Local Operating Subsidy Program grant agreement with the City and County of San Francisco. The operating subsidy reserve account is used to deposit any excess subsidy payments received from the City that have not been earned during the year.

Arendt House, L.P. – In accordance with the partnership agreement and the lenders' regulatory agreements, the replacement reserve is required to be funded in the annual amount of $28,200. The agreements also require the partnership to maintain an operating reserve that is required to be funded monthly in an amount equal to one twelfth of 3% of the prior year's actual project expenses until the balance in the operating reserve equals at least 25% of the prior year's actual project expenses. In addition to the replacement and operating reserves, the partnership is required to maintain an operating subsidy reserve account in accordance with the Local Operating Subsidy Program grant agreement with the City and County of San Francisco. The operating subsidy reserve account is used to deposit any excess subsidy payments received from the City that have not been earned during the year.

473 Ellis, L.P. – In accordance with the partnership agreement and the lenders' regulatory agreements, the replacement reserve is required to be funded in the annual amount of $30,900, or $515 per unit. The agreements also require the partnership to maintain an operating reserve that is required to be funded monthly in an amount equal to one twelfth of 3% of the prior year's actual project expenses until the balance in the operating reserve equals at least 25% of the prior year's actual project expenses. In addition to the replacement and operating reserves, the partnership is required to maintain an operating subsidy reserve account in accordance with the Local Operating Subsidy Program grant agreement with the City and County of San Francisco. The operating subsidy reserve account is used to deposit any excess subsidy payments received from the City that have not been earned during the year.

3. Restricted cash (continued)

365 Fulton, L.P. – In accordance with the partnership agreement and the lenders' regulatory agreements, the replacement reserve is required to be funded in the annual amount of the greater of the amount required by the lender or $590 per unit. The agreements also require the partnership to maintain an operating reserve balance of $328,335 and a lease up reserve balance of $114,193. In addition to the replacement and operating reserves, the partnership is required to maintain an operating subsidy reserve account in accordance with the Local Operating Subsidy Program grant agreement with the City and County of San Francisco. The operating subsidy reserve account is used to deposit any excess subsidy payments received from the City that have not been earned during the year.

The Organization is also required to hold tenant security deposits in a separate bank account in the name of the project. Security deposits as of June 30, 2013 and 2012 were $184,562 and $141,724, respectively.

4. Contributions receivable

Contributions receivable as of June 30, 2013 and 2012, which represents amounts expected to be received in less than one year, consisted of the following:

	2013	2012
Unrestricted contributions	$ -	$ 2,500
Temporarily restricted contributions:		
Future periods (Solutions SF)	-	199,097
Housing development	-	-
Green property management training	-	5,000
Total	$ -	$ 206,597

5. Fixed assets

Fixed assets as of June 30, 2013 and 2012 consisted of the following:

	2013	2012
Land	$ 6,210,152	$ 6,163,479
Buildings and improvements	130,472,632	86,574,206
Furniture, fixtures, and equipment	2,851,424	2,280,900
Total fixed assets	139,534,208	95,018,585
Less accumulated depreciation	(20,662,177)	(15,917,940)
Total fixed assets, net	$ 118,872,031	$ 79,100,645
Development in progress	$ 1,054,657	$ 4,660,754

Depreciation expense during the years ended June 30, 2013 and 2012 was $3,581,971 and $2,763,218, respectively, which is shown net of deferred developer fee amortization of $33,820 and $25,974 respectively (see note 12).

5. Fixed assets (continued)

In June 2013, a fire caused extensive damage to the roof of Senator Hotel. Damage incurred by the fire resulted in a reduction of fixed assets in the amount of $281,664 and accumulated depreciation of $45,064 (a net book value of $236,600). The reduction was determined by adjusting for inflation the anticipated replacement costs of $349,896, which were based on replacement costs incurred or replacement cost quotes. Because the insurance proceeds receivable in the amount of $214,011 do not exceed the book value of the damaged asset, the property recognized a loss on involuntary conversion of $22,589 and $0 during the years ended June 30, 2013 and 2012, respectively.

In February 2013, a fire caused extensive damage to six units of Island Bay Homes. Damage incurred by the fire resulted in a reduction of fixed assets in the amount of $586,144 and accumulated depreciation of $423,260 (a net book value of $162,884). The reduction was determined by adjusting for inflation the anticipated replacement costs of $817,038, which were based on replacement cost quotes. Because the insurance proceeds receivable in the amount of $746,531 exceeds the book value of the damaged asset, the property recognized a gain on involuntary conversion of $583,647 and $0 during the years ended June 30, 2013 and 2012, respectively.

6. Intangible assets

Intangible assets as of June 30, 2013 and 2012 consisted of the following:

	2013	2012
Permanent loan costs	$ 37,487	$ 37,487
Tax credit fees	355,463	127,581
Other	493,604	398,137
Total intangible assets	886,554	563,205
Less accumulated amortization	(528,162)	(425,092)
Total intangible assets, net	$ 358,392	$ 138,113

Amortization expense on intangible assets during 2013 and 2012 was $21,422 and $11,793, respectively.

During the years ended June 30, 2013 and 2012, fully amortized loan fees in the amount of $263,461 and $0, respectively, were written off.

7. Related party transactions

Developer fees
CHP entered into a development agreement with 25 Essex, L.P. The agreement provides for a development fee in the amount of $600,000 for services in connection with the development of Rene Cazenave Apartments. During the years ended June 30, 2013 and 2012, CHP earned developer fees of $0 and $50,000, respectively. As of June 30, 2013 and 2012, developer fee receivable was $15,000 and $40,000, respectively.

7. Related party transactions (continued)

Developer fees (continued)
CHP entered into a development agreement with 365 Fulton, L.P. The agreement provides for a development fee in the amount of $1,400,000 for services in connection with the development of Parcel G. During the years ended June 30, 2013 and 2012, CHP earned developer fees of $0 and $18,232, respectively. As of June 30, 2013 and 2012, developer fee receivable was $0 and $500,000, respectively. Commencing January 2013, CHP assumed a controlling interest in 365 Fulton, L.P., and transactions and balances with 365 Fulton, L.P. have been eliminated upon consolidation.

Developer fees payable to Mercy Housing California
Pursuant to a development agreement between 365 Fulton, L.P. and Mercy Housing California ("MHC"), an affiliate of the former general partner of 365 Fulton, L.P., MHC earned a developer fee equal to $900,000. As of June 30, 2013 and 2012, the developer fee owed to MHC was $175,000 and $0, respectively, and is included in related party payable on the accompanying statements of financial position.

Pursuant to a development agreement between Hotel Essex, L.P. and MHC, an affiliate of the former general partner of Hotel Essex, L.P., MHC earned a developer fee equal to $2,181,819. As of June 30, 2013 and 2012, the developer fee owed to MHC was $28,000 and $0, respectively, and is included in related party payable on the accompanying statements of financial position.

8. Investment in other companies

Investment in other companies as of June 30, 2013 and 2012 consisted of the following:

	2013	2012
CHP Fulton Street, LLC(1)	$ -	$ 49
Folsom Essex, LLC(2)	4,200	4,200
Total	$ 4,200	$ 4,249

(1) CHP is the sole member of CHP Fulton, LLC, which was organized on August 23, 2007 to be the co-general partner with Mercy Housing West, in 365 Fulton, L.P. Mercy Housing West withdrew from the limited liability company in January 2013, and 365 Fulton, L.P. is included in these consolidated financial statements as a result.

(2) CHP is a co-member of Folsom Essex, LLC with MCB Family Housing, Inc. The limited liability company was formed on July 22, 2009 to serve as the general partner of 25 Essex LP.

9. Marketable securities

Marketable securities consist of mutual funds and are valued at quoted market prices. The balance of marketable securities at June 30, 2013 and 2012 was $0 and $4,394, respectively. During the years ended June 30, 2013 and 2012, realized and unrealized gains from marketable securities were $3,429 and $0, respectively.

10. Notes payable

Notes payable are secured by the property unless otherwise noted and consist of the following:

	2013	2012
CHP loans:		
Senator Hotel On September 12, 2006, Senator Hotel obtained a loan from the Department of Housing and Community Department-Multifamily Housing Program (MHP) in the amount of $4,294,690. The loan bears interest at a rate of 3% per annum. The loan requires an annual payment equal to 0.42% of the unpaid principal balance over 30 years and principal and interest payment thereafter until maturity in September 2061. Additional payments are to be made from net cash flow. Accrued interest at June 30, 2013 and 2012 was $732,413 and $607,816, respectively. Interest expense during the years ended June 30, 2013 and 2012 was $18,038 in each year, which is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2013 and 2012 was $110,803 in each year.	$4,294,690	$4,294,690
On March 11, 2003, Senator Hotel obtained a loan from the City and County of San Francisco- Rental Housing Acquisition and Rehabilitation Program in the amount of $907,037. The loan bears interest at 8% compounded annually and matures in March 2053. In September 15, 2006, Senator Hotel obtained an additional loan from the City in the amount of $440,495, which bears no interest and matures in March 2053. Additional payments are to be made from net cash flow. Accrued interest at June 30, 2013 and 2012 was $1,058,550 and $931,738, respectively. Deferred interest expense during the years ended June 30, 2013 and 2012 was $126,812 and $137,328, respectively.	1,347,532	1,347,532
San Cristina Hotel On February 11, 1992, San Cristina Hotel obtained a loan from the State of California Department of Housing and Community Development- California Housing Rehabilitation Program (CHRP) in the amount of $1,750,000. The loan bears simple interest at a rate of 3% per annum. The loan is due in February 2047, but can be deferred upon approval of the lender. Accrued interest at June 30, 2013 and 2012 was $903,251 and $850,751, respectively. Deferred interest expense during the years ended June 30, 2013 and 2012 was $52,500 in each year.	1,750,000	1,750,000

10. Notes payable (continued)

San Cristina Hotel (continued)

On April 1, 1994, San Cristina Hotel obtained a loan from Berkadia Commercial Mortgage (formerly Citibank) in the amount of $1,175,000. The loan bears a variable rate of interest not to exceed 9.21% per annum (currently at 3.25%), payable in monthly installments (currently at $5,455) and matures in May 2024. Interest expense during the years ended June 30, 2013 and 2012 was $20,399 and $22,624, respectively, which is included in program services expense on the accompanying consolidated statements of activities.	600,920	646,053
On January 25, 2012, San Cristina Hotel obtained an unsecured loan from Energy Update California- Bay Area Multifamily Program (BAM), with Enterprise Community Loan Fund, Inc. in the original amount of $59,699 to construct the retrofit improvements on the Property owned. The loan bears 5% simple interest and is due at either (a) 9 months following the loan closing but no later than March 30, 2012 (the “outside date”) if the conversion conditions have not been satisfied by this date, or (b) the date which is 10 years following the conversion date if the conversion conditions have been satisfied by the outside date. Interest expense during the years ended June 30, 2013 and 2012 was $2,868 and $0, respectively, which is included in program services expense on the accompanying consolidated statements of activities.	55,015	-
Iroquois Hotel On April 12, 1995, Iroquois Hotel obtained a loan from the City and County of San Francisco in the amount of $1,500,000. The loan bears a 6% simple interest rate. Interest will be accrued, but no interest and principal are due in the first 15 years of the term. The monthly repayment amount will be determined thereafter, and any remaining obligation will be forgiven upon maturity in April 2070. Accrued interest at June 30, 2013 and 2012 was $1,635,000 and $1,545,000, respectively. Deferred interest expense during the years ended June 30, 2013 and 2012 was $90,000 in each year.	1,500,000	1,500,000
On February 1, 1997, Iroquois Hotel obtained a loan from Berkadia Commercial Mortgage (formerly Citibank) in the amount of $1,555,400. The loan bore an adjustable rate of interest not to exceed 11.95% per annum, payable in monthly installments. The loan matured in March 2012. Interest expense for the years ended June 30, 2013 and 2012 was $0 and $4,054, which is included in program services expense on the accompanying consolidated statements of activities.	-	-

10. Notes payable (continued)

Iroquois Hotel (continued) On January 6, 2012, Iroquois Hotel obtained an unsecured loan from BAM, with Enterprise Community Loan Fund, Inc. in the original amount of $53,774 to construct the retrofit improvements on the Property owned. The loan bears 5% simple interest and is due at either (a) 9 months following the loan closing but no later than March 30, 2012 (the "outside date") if the conversion conditions have not been satisfied by this date, or (b) the date which is 10 years following the conversion date if the conversion conditions have been satisfied by the outside date. Interest expense during the years ended June 30, 2013 and 2012 was $2,647 and $0 respectively, which is included in program services expense on the accompanying consolidated statements of activities.	49,555	-
Island Bay Homes On July 26, 2000, Island Bay Homes obtained a loan from the City and County of San Francisco in the amount of $997,409. The loan bears an initial interest rate of $7.75% compounded quarterly for the first 24 months, adjusting to 4% simple interest through July 1, 2007 and to 2.33% simple interest thereafter. All principal and interest are due at maturity in 2017. Payments are made from residual receipts. Accrued interest at June 30, 2013 and 2012 was $326,304 and $303,064, respectively. Deferred interest expense during the years ended June 30, 2013 and 2012 was $23,240 in each year.	997,409	997,409
San Christina Rehab On October 6, 2009, CHP obtained an unsecured loan from Enterprise Community Partners, Inc. in the amount of $25,000. The loan bore no interest and was due at the earliest date of (a) June 30, 2012, (b) the date the permanent loan for the project closes, or (c) the date on which Borrower secures refinancing for the project. The loan was paid in full during the year ended June 30, 2013.	-	25,000
CHP Scott Street, LLC CHP Scott Street, LLC obtained a predevelopment loan for the Edward II project from the City and County of San Francisco Mayor's Office of Housing. The loan bears no interest and is due the earlier of July 2015 or close of permanent financing.	4,360,549	4,250,833

10. Notes payable (continued)

LIHTC partnerships:

473 Ellis, L.P. On March 16, 2012, Cambridge obtained a loan from Department of Housing and Community Development in the amount of $1,306,000. The loan bears 3% simple interest, with annual payments equal to 0.42% of the unpaid principal amount and annual payments can also be made from excess/distributable cash. All principal and interest are due at maturity in March 2067. Accrued interest at June 30, 2013 and 2012 was $847,718 and $818,279, respectively. Deferred interest expense during the years ended June 30, 2013 and 2012 was $29,440 and $0, respectively.	1,298,743	1,306,000
On March 19, 2012, Cambridge obtained a loan from the City and County of San Francisco Mayor's Office of Housing CDBG Program and Housing Site Acquisition Program in the amount of $4,397,874. The loan bears no interest. Payments are to be made from excess cash/distributable cash with the entire principal due in March 2069.	4,397,874	4,397,874
On March 1, 2012, Cambridge obtained a construction loan from Silicon Valley Bank in the original amount of $9,505,765. The loan bears interest at a fixed rate of 1.75% per annum. Interest payments are due monthly with the entire amount of principal due at maturity in June 2014. Accrued interest at June 30, 2013 and 2012 was $0. During the years ended June 30, 2013 and 2012, $85,237 and $0, respectively, of interest was capitalized to fixed assets.	8,021,201	-
CHP Ellis LLC On March 1 2012, CHP Ellis LLC obtained a loan from Affordable Housing Fund (AHF), with Silicon Valley Bank in the amount of $600,000. The loan bears no interest and the entire principal is due in full in March 2067.	600,000	-
650 Eddy, L.P. On March 7, 2007, Arnett Watson Apartments obtained an AHF loan from the City of San Francisco Mayor's Office of Housing in the maximum amount of $7,089,895. The loan bears no interest. Payments are to be made from residual receipts beginning on August 1, 2009 with the entire principal due in March 2062.	5,138,514	5,138,514

10. Notes payable (continued)

650 Eddy, L.P. (continued)

On July 20, 2005, Arnett Watson Apartments obtained a loan from the City and County of San Francisco Mayor's Office of Housing HOME loan (HOME loan) in the original amount of \$855,463. The loan bears 3% simple interest. During 2006, the Loan Agreement was amended to \$7,280,745 and will not bear any interest. On January 19, 2007, principal and interest was forgiven by the City of San Francisco (the City) in the amounts of \$2,258,303 and \$27,918, respectively, when the land and associated debt were transferred to the City. Payments are to be made from residual receipts with the entire principal and interest due on July 20, 2060. Accrued interest at June 30, 2013 and 2012 was \$29,658.	5,022,442	5,022,442
On December 15, 2009, Arnett Watson Apartments obtained a loan from MHP in the amount of \$6,091,709. The loan bears 3% simple interest with annual payment equal to 0.42% of the unpaid principal amount for a period of 29 years, at which time the annual loan payment required will be the lesser of accrued interest for the previous 12 month period, or such amount determined by the Department of Housing and Community Development. Annual payments can also be made subject to available net cash flow. All principal and interest are due at maturity in February 2065. Accrued interest at June 30, 2013 and 2012 was \$542,736 and \$385,588, respectively. Interest expense during the years ended June 30, 2013 and 2012 was \$25,585 and \$25,584, respectively, which is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2013 and 2012 was \$157,166 in each year.	6,091,709	6,091,709
On March 9, 2007, Arnett Watson Apartments obtained a loan from Affordable Housing Program (AHP) in the amount of \$581,000. The loan bears no interest and is due in full on March 1, 2064.	581,000	581,000

10. Notes payable (continued)

Arendt House, L.P. On January 11, 2012, Arendt House, L.P. obtained a loan from MHP in the amount of $6,247,804. The loan bears 3% simple interest, requires annual payments equal to 0.42% of the unpaid principal amount. Annual payment can also be made subject to available net cash flow. All principal and interest are due at maturity in January 2067. Accrued interest at June 30, 2013 and 2012 was $243,269 and $88,175, respectively. Interest expense during the years ended June 30, 2013 and 2012 was $25,121 and $0, respectively, which is included in program service expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2013 and 2012 was $154,318 and $75,830, respectively.	6,247,804	6,247,804
On September 24, 2008, Arendt House, L.P. obtained a loan from AHF in the amount of $2,720,940. The loan does not bear interest. On January 27, 2012, $842,074 was paid down at the close of the permanent loan. The remaining $1,878,866 is due in September 2063. Additional payments are to be made from net cash flow.	1,878,866	1,878,866
On December 14, 2007, Arendt House, L.P. obtained a loan from City and County of San Francisco Mayor's Office of Housing HUD Neighborhood Initiative Grant Fund (MOH HUD) in the amount of $962,240. The loan does not bear interest and is to be repaid in December 2064. Additional payments are to be made from net cash flow.	962,240	962,240
Hotel Essex, L.P. On May 27, 2005, Hotel Essex, L.P. obtained a loan from City and County of San Francisco Mayor's Office of Housing (MOH) in the original amount of $3,465,750, which was amended to $5,106,483 on September 12, 2006. The loan was amended again on December 11, 2006 to a total of $6,096,483. The loan bore 3% simple interest through October 31, 2008. Interest will not accrue beyond this date. The entire principal is due in December 2063. Additional payments are to be made from net cash flow.	4,670,017	4,670,017

10. Notes payable (continued)

Hotel Essex, L.P. (continued) On October 15, 2008, Hotel Essex, L.P. obtained a loan from MHP in the amount of $7,000,000. The loan bears 3% simple interest rate with annual payment equal to 0.42% of the unpaid principal amount for a period of 29 years, at which time the annual loan payment required will be the lesser of accrued interest for the previous 12 month period, or such amount determined by HCD. The entire principal and unpaid accrued interest is to be repaid in October 2063. Accrued interest at June 30, 2013 and 2012 was $857,597 and $676,997, respectively. Interest expense during the years ended June 30, 2013 and 2012 was $29,889 and $29,400, respectively, which is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2013 and 2012 was $180,600 in each year.	7,000,000	7,000,000
On February 28, 2007, Hotel Essex, L.P. obtained an AHP loan from Citibank in the amount of $680,000. The loan does not bear interest and is due in February 2064.	680,000	680,000
CHP Fulton Street, LLC On January 5, 2010, CHP Fulton Street, LLC obtained an AHP loan from Silicon Valley Bank in the original amount of $1,200,000. The loan does not bear interest. Subject to the terms of the loan agreement, the unpaid principal balance may be forgiven at the end of the retention period in September 2026.	1,200,000	-
365 Fulton, L.P. On February 8, 2013, 365 Fulton, L.P. obtained a loan from MHP in the amount of $8,907,928. The loan bears 3% simple interest rate with annual payment equal to 0.42% of the unpaid principal amount for a period of 29 years, at which time the annual loan payment required will be the lesser of accrued interest for the previous 12 month period, or such amount determined by HCD. The entire principal and unpaid accrued interest is to be repaid in full in September 2063. Accrued interest at June 30, 2013 and 2012 was $111,349 and $0, respectively. Interest expense during the years ended June 30, 2013 and 2012 was $15,589 and $0, respectively, which is included in program services expense on the accompanying consolidated statements of activities. Deferred interest expense during the years ended June 30, 2013 and 2012 was $95,760 and $0, respectively.	8,907,928	-

10. Notes payable (continued)

365 Fulton, L.P. (continued) On November 3, 2009, 365 Fulton, L.P. obtained a loan from the San Francisco Redevelopment Agency in the original amount of $2,753,291. Effective February 1, 2012, the San Francisco Redevelopment Agency was dissolved and the loan was transferred to MOH. Principal payments are payable from available cash flow. The loan bears 3% simple interest rate interest and is due in full by November 2066. Accrued interest at June 30, 2013 and 2012 was $330,588 and $0, respectively. Interest expense during the years ended June 30, 2013 and 2012 was $19,789 and $0, respectively, which is included in program services expense on the accompanying consolidated statements of activities.	841,263	-
365 Fulton, L.P. obtained a loan from Citibank, N.A. in the original amount of $30,815,000. The loan bore interest at a rate of 6% per annum and was paid in full in March 2013. Accrued interest at June 30, 2013 and 2012 was $0. Interest expense during the years ended June 30, 2013 and 2012 was $220,315 and $0, respectively, which is included in program services expense on the accompanying consolidated statements of activities.	-	-
365 Fulton, L.P. obtained a loan from CalHFA in the original amount of $1,200,000. Principal payments are payable from available cash flow. The loan does not bear interest and is due in February 2065.	1,199,850	-
Total notes payable	$ 79,695,121	$ 58,787,983

Expected future minimum principal payments on notes payable over each of the next five years and thereafter are as follows:

Year Ending June 30,	
2014	$ 8,077,493
2015	58,324
2016	2,760,433
2017	62,621
2018	64,891
Thereafter	68,671,359
Total	$ 79,695,121

11. Lines of credit

CHP has a line of credit with Wells Fargo Bank with maximum borrowings of $1,000,000, of which $346,855 and $0 was outstanding as of June 30, 2013 and 2012, respectively. Advances on the credit line carry a variable interest rate which was 4.0% at June 30, 2013 and 2012, respectively. The credit line is secured by all property and assets of CHP and matures on May 15, 2014. Interest expense during the years ended June 30, 2013 and 2012 was $5,416 and $0, respectively, which is included in program service expense on the accompanying consolidated statements of activities.

CHP had a $300,000 line of credit with Citibank, of which there was no outstanding balance as of June 30, 2013 and 2012. Advances on the credit line carried a variable interest rate at the bank's index plus 1%. The line of credit was secured by all property and assets of CHP, as defined in the security agreement. On May 15, 2013, all obligations were paid from proceeds from the aforementioned Wells Fargo Bank line of credit, and the line of credit was closed.

12. Deferred income

Deferred income includes $1,251,802 and $1,058,822, net of accumulated amortization of $100,994 and $67,173 related to the 40% profit portion of CHP's development fees as of June 30, 2013 and 2012, respectively. During the years ended June 30, 2013 and 2012, amortization to offset the depreciation expense related to the fee capitalized as real property totaled $33,820 and $25,974, respectively. The deferred income is amortized using the straight-line method over the estimated useful life of the underlying asset.

13. Temporarily restricted net assets

Temporarily restricted net assets consist of the following:

	June 30, 2012	Contributions	Released from Restrictions	June 30, 2013
Specific programs and time restrictions:				
Solutions SF	$ 222,537	$ 30,000	$ (222,537)	$ 30,000
Other specific programs and time restrictions	22,360	134,960	(22,360)	134,960
	244,897	164,960	(244,897)	164,960
Recoverable contributions for the purchase and rehabilitation of:				
Senator Hotel	1,519,000	-	-	1,519,000
San Cristina Hotel	2,116,506	-	-	2,116,506
Iroquois Hotel	2,265,000	-	-	2,265,000
	5,900,506	-	-	5,900,506
Total temporarily restricted net assets	$ 6,145,403	$ 164,960	$ (244,897)	$ 6,065,466

13. Temporarily restricted net assets (continued)

	June 30, 2011	Contributions	Released from Restrictions	June 30, 2012
Specific programs and time restrictions:				
Supportive Housing Employment Collaborative	$ 57,471	$ 83,509	$ (140,980)	$ -
Solutions SF	500,000	-	(277,463)	222,537
Other specific programs and time restrictions	202,851	121,474	(301,965)	22,360
	760,322	204,983	(720,408)	244,897
Recoverable contributions for the purchase and rehabilitation of:				
Senator Hotel	1,519,000	-	-	1,519,000
San Cristina Hotel	2,116,506	-	-	2,116,506
Iroquois Hotel	2,265,000	-	-	2,265,000
	5,900,506	-	-	5,900,506
Total temporarily restricted net assets	$ 6,660,828	$ 204,983	$ (720,408)	$ 6,145,403

14. Island Bay Homes

CHP subleases the Island Bay Homes property from the Treasure Island Development Authority (TIDA) (who leases it from the U.S. Department of Navy) for the purpose of overseeing the rehabilitation of the property to benefit eligible tenants. CHP is responsible for all costs related to the use of the premises, which consisted of 24 rental units as of June 30, 2007. On July 17, 2007, CHP took the leasehold possession of an additional 42 units on Treasure Island, which increased the Island Bay Homes unit count to 66 units at June 30, 2008. The first 23 tenants must qualify for Section 8 rental assistance, 8 tenants participate in the Shelter Plus Care Program, 33 tenants are subsidized through the Local Operating Subsidy Program (“LOSP”), and 2 units are reserved for site staff. The term of the sublease commenced on March 11, 2001 and expires on August 31, 2014. There is no provision for the payment of rent in the sublease agreement. CHP has an option to purchase the property under the Base Closure Agreement with the Treasure Island Homeless Development Initiative (TIHDI), of which CHP is a member. The option allows CHP to obtain an equal number of comparable units on Treasure Island in the event that TIDA requires TIHDI to relinquish the housing to accommodate development of the parcel subleased by CHP.

CHP records no rent expense under this arrangement, and has estimated that there is no monetary value from this sublease.

CHP was awarded a LOSP grant which provides maximum funding of $2,619,077 over a nine year term, commencing July 1, 2010. The nine-year cash flow subsidy is expected to satisfy CHP’s projected operating cost and cash flow shortfalls during the term. The grant agreement provides for certain tenant eligibility and rent restriction requirements, among other matters.

15. Commitments and contingencies

In prior years, CHP received funding of $1,175,000, $2,116,506, and $1,500,000 from the City and County of San Francisco (successor agency for the San Francisco Redevelopment Agency) and the Mayor's Office of Housing for the acquisition and rehabilitation of the Senator Hotel, the San Cristina Hotel, and the Iroquois Hotel, respectively. An additional $400,000 was received from HUD, and $365,000 was received from the Affordable Housing Program for rehabilitation of the Iroquois Hotel as well as $344,000 for the rehabilitation of the Senator Hotel, respectively. Terms of these grants stipulate that the funds are recoverable by the City and County of San Francisco, the Mayor's Office of Housing, CFB, FHLBSF or HUD in the event that certain specific covenants and restrictions of the awards are violated. These contributions are included in temporarily restricted net assets.

CHP had leased its main office facility under a lease agreement that expired on December 31, 2011. The monthly rent for the initial term and first renewal period was $4,018, with the second renewal period (covering 2009 through 2011) subject to negotiation based on a fair market rental value. CHP has since executed new space lease agreements for two different facilities. The lease for the administrative offices commenced April 2012 and expires ten years thereafter. The new agreement for the administrative office provides for monthly base rent, plus a portion of the building's direct operating expenses, as defined. The agreement has an option to extend the lease term for an additional period of five years upon written notice of intent from the organization. CHP also entered into another lease agreement for its social workers in February 2012 that expired on October 31, 2013. The monthly base rent for the lease term is $2,897. Since extensions of the lease terms for its main office facility had not yet expired, CHP made minimum lease payments on the space that it vacated through and subsequent to June 30, 2013.

Minimum annual rents required for the next five years are as follows:

Year Ending June 30,	
2014	$ 198,666
2015	203,484
2016	208,422
2017	213,480
2018	218,667

15. Commitments and contingencies (continued)

CHP has provided loan and operating deficit guarantees as well as indemnifications with regard to tax benefits projected for its affiliates and projects. CHP does not require any collateral or other security from its affiliates and projects related to these guarantees. Management believes that the likelihood of funding a material amount of any of the guarantees is remote. Summaries of these guarantees as of June 30, 2013 are as follows:

	Operating Deficit Guarantee	
Project	Maximum Amount	Expiration
Arendt House, L.P.	$ 331,070	(1)
Essex Hotel, LP	500,000	(2)
650 Eddy, LP	600,000	(3)
365 Fulton, L.P.	500,000	(4)
473 Ellis, LP	200,000	(5)
Total	$ 2,131,070	

	Tax Benefit Indemnifications	
Project	Projected Benefit	Expiration
Arendt House, L.P.	$ 5,300,000	2024
Essex Hotel, LP	7,100,000	2022
650 Eddy, LP	11,600,000	2023
365 Fulton, L.P.	30,000,000	2027
473 Ellis, LP	11,800,000	2028
Total	$ 65,800,000	

(1) The obligation shall terminate on the later of (i) the tenth (10th) anniversary of the date of achievement of Breakeven Operations, (ii) the fifth (5th) anniversary of the closing of or conversion to the Permanent Loan, or (iii) the date upon which the Partnership achieves five consecutive calendar years during which there is an Expense Coverage Ratio of 1.15 or better for each year the Operating Reserve is fully funded.

(2) The obligation shall terminate on the date that the following have occurred simultaneously: (i) the project has operated at breakeven for at least three calendar years following stabilization as defined; and (ii) the balance in the Operating Reserve equals or exceeds $190,954.

(3) The guarantee shall only apply during any period in which the Project is not fully subsidized under the LOSP. If the Project maintains a 1.15 Service Coverage Ratio for twelve consecutive months, the Operating Deficit Loan Limit shall be reduced by one/third per year beginning with the first fiscal year in which a 1.15 Debt Service Coverage Ratio is achieved. This reduction in the Operating Deficit Loan Limit will be suspended in any fiscal year that a 1.15 Debt Service Coverage Ratio is not achieved and shall resume only once a 1.15 Debt Service Coverage Ratio has been fully restored for a subsequent fiscal year.

15. Commitments and contingencies (continued)

(4) The obligation shall terminate on December 31st of the fifth year after the date of the Stabilization Capital Contribution, as defined, provided that the following conditions are satisfied (a) during the five year period the general partner has not been obligated to make any operating deficit loans and the partnership has not drawn on any reserves established for operating deficits, (b) the amount on deposit in the partnership's operating reserve is not less than the Operating Reserve Minimum, as defined, (c) the partnership is current on its required reserve payments, operating expenses, mandatory debt service, and payments for any necessary maintenance or capital improvements, (d) the Supportive Services Agreement is in full force and effect, and (e) the LOSP and MHSA subsidies are in place and being fully funded in accordance with their respective terms.

(5) The obligation to fund operating deficits during the Operating Deficit Guarantee Period, which shall begin on the date of the Stabilization Capital Contribution and shall continue until the close of business on the December 31st (i) that is at least five years thereafter, and (ii) on which all the conditions are met as stated in the partnership agreement. The advance will be payable without interest from excess/distributable cash.

In connection with the development of affordable housing projects, which are owned by limited partnerships, CHP has acquired the options to purchase the projects at the close of the projects' 15-year compliance period, as noted in the above table.

CHP will be responsible for repaying a loan if, when the loan becomes due, the respective affiliate or project does not make payment on the loan.

16. Retirement plan

CHP established a 403(b) retirement plan effective July 25, 2003, covering employees of CHP and its affiliates. Employees are not required to contribute to the plan and are immediately vested in their own savings accounts. The plan does not include employer matching contributions.

17. Union collective bargaining agreement

CHP entered into a three-year collective bargaining agreement with Service Employees International Union, Local 1021. The agreement became effective on July 1, 2012 and is required to remain in full force up to and including June 30, 2015. Approximately 48% of the labor force at CHP is covered by the collective bargaining agreement.

SUPPLEMENTARY INFORMATION

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

CONSOLIDATED SCHEDULE OF FINANCIAL POSITION - COMMUNITY HOUSING PARTNERSHIP ONLY

JUNE 30, 2013

	General	Solutions SF	Senator Hotel	San Cristina Hotel	Iroquois Hotel	Island Bay Homes	Total Community Housing Partnership
ASSETS							
Current assets							
Cash and cash equivalents	$ 1,034,491	$ 54,503	$ 171,209	$ -	$ -	$ 128,449	$ 1,388,652
Receivables							
Government grants	1,033,623	-	-	-	-	-	1,033,623
Contract services	-	127,562	-	-	-	-	127,562
Related parties - current portion	103,257	-	-	97,146	-	-	200,403
Rent, subsidy, and others	100,534	-	300,926	8,690	17,038	769,722	1,196,910
Prepaid expenses and deposits	375,645	16,158	15,079	11,704	13,582	16,352	448,520
Total current assets	2,647,550	198,223	487,214	117,540	30,620	914,523	4,395,670
Notes receivables							
Related parties - net of current portion	1,798,417	54,468	11,000	23,605	26,000	27,539	1,941,029
Restricted deposits							
Replacement, operating and other reserves	-	-	684,579	334,354	397,410	619,451	2,035,794
Tenant security deposits	-	-	16,354	29,498	13,699	21,335	80,886
Development in progress	37,838	-	-	-	-	-	37,838
Fixed assets - net	262,141	-	5,866,915	4,161,990	4,245,264	277,341	14,813,651
Investment in other companies	2,068,974	-	-	-	-	-	2,068,974
Total other assets	4,167,370	54,468	6,578,848	4,549,447	4,682,373	945,666	20,978,172
Total assets	$ 6,814,920	$ 252,691	$ 7,066,062	$ 4,666,987	$ 4,712,993	$ 1,860,189	$ 25,373,842
LIABILITIES							
Current liabilities							
Accounts payable and accrued expenses	$ 1,013,819	$ 10,549	$ 29,773	$ 65,260	$ 66,738	$ 76,808	$ 1,262,947
Interest payable - current portion	-	-	18,038	-	-	-	18,038
Notes payable - current portionn	-	-		51,709	4,583	-	56,292
Total current liabilities	1,013,819	10,549	47,811	116,969	71,321	76,808	1,337,277
Tenant security deposits	-	-	15,133	28,561	14,273	19,395	77,362
Related-party payable	140,261	172,275	37,253	43,143	53,033	32,756	478,721
Deferred income	1,062	-	-	1,643	-	5,773	8,478
Line of credit	276,855	70,000	-	-	-	-	346,855
Interest payable - net of current portion	-	-	1,772,925	903,251	1,635,000	326,304	4,637,480
Notes payable - net of current portion	150,000	-	5,642,222	2,354,226	1,544,972	997,409	10,688,829
Total non-current liabilities	568,178	242,275	7,467,533	3,330,824	3,247,278	1,381,637	16,237,725
Total liabilities	1,581,997	252,824	7,515,344	3,447,793	3,318,599	1,458,445	17,575,002
Net assets							
Unrestricted	5,097,963	(30,133)	(1,968,282)	(897,312)	(870,606)	401,744	1,733,374
Temporarily restricted	134,960	30,000	1,519,000	2,116,506	2,265,000	-	6,065,466
Total net assets	5,232,923	(133)	(449,282)	1,219,194	1,394,394	401,744	7,798,840
Total liabilities and net assets	$ 6,814,920	$ 252,691	$ 7,066,062	$ 4,666,987	$ 4,712,993	$ 1,860,189	$ 25,373,842

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

CONSOLIDATED SCHEDULE OF FINANCIAL POSITION - COMMUNITY HOUSING PARTNERSHIP ONLY

JUNE 30, 2012

	General	Solutions SF	Senator Hotel	San Cristina Hotel	Iroquois Hotel	Island Bay Homes	Total Company Housing Partnership
ASSETS							
Current assets							
Cash and cash equivalents	$ 1,409,696	$ 121,384	$ 252,856	$ 55,180	$ 17,897	$ 251,628	$ 2,108,641
Receivables							
Government grants	594,280	-	-	117,259	-	-	711,539
Contract services	-	96,738	-	-	-	-	96,738
Contributions	7,500	199,097	-	-	-	-	206,597
Related parties - current portion	308,338	-	-	-	-	-	308,338
Rent, subsidy, and others	95,044	-	38,339	60,155	69,396	58,115	321,049
Prepaid expenses and deposits	256,989	38,831	8,747	6,350	8,415	6,944	326,276
Total current assets	2,671,847	456,050	299,942	238,944	95,708	316,687	4,079,178
Notes receivables							
Related parties - net of current portion	1,376,214	71,501	28,860	116,948	28,053	27,539	1,649,115
Restricted deposits							
Replacement, operating and other reserves	-	-	658,466	297,448	453,552	508,902	1,918,368
Tenant security deposits	-	-	16,432	29,560	13,907	21,334	81,233
Development in progress	37,503	-	-	-	-	-	37,503
Fixed assets - net	313,953	13,041	6,589,332	4,229,176	4,262,737	457,169	15,865,408
Investment in other companies	2,126,050	-	-	-	-	-	2,126,050
Marketable securities	4,394	-	-	-	-	-	4,394
Total other assets	3,858,114	84,542	7,293,090	4,673,132	4,758,249	1,014,944	21,682,071
Total assets	$ 6,529,961	$ 540,592	$ 7,593,032	$ 4,912,076	$ 4,853,957	$ 1,331,631	$ 25,761,249
LIABILITIES							
Current liabilities							
Accounts payable and accrued expenses	$ 875,068	$ 130,267	$ 52,712	$ 4,500	$ 8,893	$ 39,426	$ 1,110,866
Interest payable - current portion	-	-	18,038	-	-	-	18,038
Notes payable - current portionn	-	-	-	45,133	-	-	45,133
Total current liabilities	875,068	130,267	70,750	49,633	8,893	39,426	1,174,037
Tenant security deposits	-	-	16,385	29,317	14,590	20,096	80,388
Related-party payable	304,608	232,465	26,204	29,808	30,505	43,819	667,409
Deferred income	4,237	-	-	13,659	17,384	101,608	136,888
Interest payable - net of current portion	-	-	1,521,516	850,751	1,545,000	303,064	4,220,331
Notes payable - net of current portion	175,000	-	5,642,222	2,410,619	1,553,774	997,409	10,779,024
Total non-current liabilities	483,845	232,465	7,206,327	3,334,154	3,161,253	1,465,996	15,884,040
Total liabilities	1,358,913	362,732	7,277,077	3,383,787	3,170,146	1,505,422	17,058,077
Net assets							
Unrestricted	5,148,688	(44,677)	(1,203,045)	(588,217)	(581,189)	(173,791)	2,557,769
Temporarily restricted	22,360	222,537	1,519,000	2,116,506	2,265,000	-	6,145,403
Total net assets	5,171,048	177,860	315,955	1,528,289	1,683,811	(173,791)	8,703,172
Total liabilities and net assets	$ 6,529,961	$ 540,592	$ 7,593,032	$ 4,912,076	$ 4,853,957	$ 1,331,631	$ 25,761,249

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS - COMMUNITY HOUSING PARTNERSHIP ONLY
FOR THE YEAR ENDED JUNE 30, 2013

	General	Solutions SF	Senator Hotel	San Cristina Hotel	Iroquois Hotel	Island Bay Homes	Total Community Housing Partnership
Change in unrestricted net assets							
Revenue and other support							
Government grants	$ 3,474,161	$ 154,701	$ -	$ -	$ -	$ -	$ 3,628,862
Contributions - unrestricted	478,485	60,523	-	-	-	4,349	543,357
Contributions - restricted	134,960	30,000	-	-	-	-	164,960
In-kind contributions	236,670	-	-	-	-	-	236,670
Contract service income	260,817	855,572	-	-	-	-	1,116,389
Rent and subsidy income - net	-	-	991,856	759,226	870,326	755,415	3,376,823
Local Operating Subsidy Program grant	-	-	-	-	-	333,694	333,694
Developer fees	567,000	-	-	-	-	-	567,000
Related party fees	990,555	25,480	-	-	-	-	1,016,035
Loss from investment in other companies	(57,076)	-	-	-	-	-	(57,076)
Interest and other income	68,946	1,470	2,137	5,004	1,818	1,534	80,909
Investment income	3,429	-	-	-	-	-	3,429
Total revenue and other support	6,157,947	1,127,746	993,993	764,230	872,144	1,094,992	11,011,052
Expenses							
Program services	4,211,292	1,303,697	987,359	900,345	968,633	1,003,945	9,375,271
Management and general	1,486,234	-	-	-	-	-	1,486,234
Fundraising	346,734	-	-	-	-	-	346,734
Total expenses before deferred interest, depreciation and amortization	6,044,260	1,303,697	987,359	900,345	968,633	1,003,945	11,208,239
Change in unrestricted net assets before deferred interest, depreciation and amortization	113,687	(175,951)	6,634	(136,115)	(96,489)	91,047	(197,187)
Deferred interest	-	-	237,615	52,500	90,000	23,240	403,355
Depreciation and amortization	51,812	2,042	511,667	120,480	102,928	75,919	864,848
Total deferred interest, depreciation and amortization	51,812	2,042	749,282	172,980	192,928	99,159	1,268,203
Gain (loss) on involuntary conversion	-	-	(22,589)	-	-	583,647	561,058
Change in net assets	61,875	(177,993)	(765,237)	(309,095)	(289,417)	575,535	(904,332)
Net assets, beginning of year	5,171,048	177,860	315,955	1,528,289	1,683,811	(173,791)	8,703,172
Net assets, end of year	$ 5,232,923	$ (133)	$ (449,282)	$ 1,219,194	$ 1,394,394	$ 401,744	$ 7,798,840

see report of independent auditors

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
CONSOLIDATED SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS - COMMUNITY HOUSING PARNTERSHIP ONLY
FOR THE YEAR ENDED JUNE 30, 2012

	General	Solutions SF	Senator Hotel	San Cristina Hotel	Iroquois Hotel	Island Bay Homes	Cambridge Development	Total Community Housing Partnerhsip
Change in unrestricted net assets								
Revenue and other support								
Government grants	$ 3,308,312	$ 140,065	$ -	$ 502,938	$ 120,984	$ -	$ -	$ 4,072,299
Contributions - unrestricted	201,015	-	-	-	-	-	-	201,015
Contributions - restricted	204,983	-	-	-	-	-	-	204,983
In-kind contributions (Note 2)	90,145	-	-	-	-	-	-	90,145
Contract service income	217,858	731,612	-	-	-	-	-	949,470
Rent and subsidy income - net	-	-	978,594	726,457	819,972	811,766	-	3,336,789
Local Operating Subsidy Program grant	-	-	-	-	-	161,385	-	161,385
Developer fees	446,232	-	-	-	-	-	-	446,232
Related-party fees	873,331	-	-	-	-	-	-	873,331
Income from investment in other companies	1,110,262	-	-	-	-	-	-	1,110,262
Interest and other income	238,512	1	7,411	4,923	6,022	1,609	-	258,478
Total revenue and other support	6,690,650	871,678	986,005	1,234,318	946,978	974,760	-	11,704,389
Expenses								
Program services	4,079,847	1,273,280	957,043	636,472	818,332	882,224	-	8,647,198
Management and general	1,153,575	-	-	-	-	-	-	1,153,575
Fundraising	327,577	-	-	-	-	-	-	327,577
Total expenses before deferred interest, depreciation and amortization	5,560,999	1,273,280	957,043	636,472	818,332	882,224	-	10,128,350
Change in unrestricted net assets before deferred interest, depreciation and amortization	1,129,651	(401,602)	28,962	597,846	128,646	92,536	-	1,576,039
Deferred interest	-	-	248,131	52,500	90,000	23,240	-	413,871
Depreciation and amortization	11,243	2,827	511,466	120,504	103,904	69,543	-	819,487
Total deferred interest, depreciation and amortization	11,243	2,827	759,597	173,004	193,904	92,783	-	1,233,358
Change in net assets	1,118,408	(404,429)	(730,635)	424,842	(65,258)	(247)	-	342,681
Net assets, beginning of year	4,102,640	582,289	1,046,590	1,103,447	1,749,069	(173,544)	(442)	8,410,049
Capital adjustments	(50,000)	-	-	-	-	-	442	(49,558)
Net assets, end of year	$ 5,171,048	$ 177,860	$ 315,955	$ 1,528,289	$ 1,683,811	$ (173,791)	$ -	$ 8,703,172

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES

SCHEDULES OF RELATED-PARTY RECEIVABLES -

COMMUNITY HOUSING PARTNERSHIP ONLY

JUNE 30, 2013 and 2012

Related-party receivables as of June 30, 2013 and 2012 are as follows:

	2013	2012
Developer fees		
Deferred	$ 131,920	$ 226,980
Non-deferred	732,770	713,770
Operating advances	1,276,742	1,016,703
Total	2,141,432	1,957,453
Less: current portion	(200,403)	(308,338)
Long-term portion	$ 1,941,029	$ 1,649,115

see report of independent auditors

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass Through Grantor / Program Title:	Federal CFDA No.	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Community Development Block Grant Program:		
Pass-through awards:		
City and County of San Francisco, Mayor's Office of Housing, San Cristina Hotel	14.218	$ 2,116,506
City and County of San Francisco, Technical Assistance	14.218	109,000
City and County of San Francisco, Workforce Development/Job Readiness Services	14.218	50,000
		2,275,506
Community Development Block Grant Program – Special Purpose Grant		
Pass-through awards:		
City and County of San Francisco, Mayor's Office of Housing, Iroquois Hotel	14.254	1,500,000
Section 8 Program:		
Pass-through awards:		
San Francisco Housing Authority:		
Section 8 Housing Choice Vouchers – Island Bay	14.238	445,915
Section 8 Program:		
Pass-through awards:		
San Francisco Housing Authority:		
Section 8 Moderate Rehabilitation – Lower Income Housing Assistance – Iroquois and Senator	14.856	1,346,897
Section 8 Moderate Rehabilitation – Single Room Occupancy – San Cristina	14.249	506,395
		1,853,292
Shelter Plus Care Program:		
Pass-through awards:		
City and County of San Francisco, Human Services Agency:		
Island Bay Homes – Project Based Rental Assistance	14.238	44,771

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass Through Grantor / Program Title:	Federal CFDA No.	Federal Expenditures
Supportive Housing Program:		
Pass-through awards:		
City and County of San Francisco, Department of Human Services:		
Homeless Employment Collaborative (HEC)	14.235	$ 96,768
Integrated Services Network (ISN) – Tenant Services	14.235	139,831
ISN Training Program	14.235	116,813
Supportive Housing Employment Collaborative (SHEC)	14.235	123,527
Supportive Housing Program – Iroquois Operations (Agency No. CA0061B9T01003)	14.235	137,207
Direct awards:		
Supportive Housing Program – Iroquois Capital Improvements	14.235	400,000
		1,014,146
Total U.S. Department of Housing and Urban Development		7,133,630
Corporation for National and Community Service:		
Pass-through awards:		
REDF:		
Social Innovation Fund	94.019	222,537
Total Corporation for National and Community Service:		222,537
U.S. Department of Health and Human Services:		
Office of Community Services:		
Direct Awards:		
Substance and Mental Health Services Administration (Agency No. CH9TI20680A)	93.243	395,764
Economic Development (Agency No. 90EE-0919-01)	93.570	154,701
Total U.S. Department of Health and Human Services:		550,465
TOTAL FEDERAL AWARDS		$ 7,906,632

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts, presented in, or used in the preparation of the basic consolidated financial statements.

Grants Outstanding

CHP had the following repayable grant balances outstanding as of June 30, 2013. Such grants require continuing compliance and will be repayable only if demanded by the grantor in the event of non-compliance. These balances are included in the schedule of expenditures of federal awards.

Program Title	Federal CFDA Number	Amount Outstanding
Supportive Housing Program – Iroquois	14.235	400,000
Community Development Block Grant – San Cristina	14.218	2,116,506

Loans

CHP had the following loan outstanding as of June 30, 2013. This loan require continuing compliance, and this balance is included in the schedule of expenditures of federal awards.

Program Title	Federal CFDA Number	Amount Outstanding
Community Development Block Grant – Special Purpose Grant	14.254	1,500,000

Independent Auditors' 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 Board of Directors of
Community Housing Partnership and Affiliates:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Community Housing Partnership and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 15, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 entity'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.

Novogradac & Company LLP

San Francisco, California
April 15, 2014

NOVOGRADAC
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors of
Community Housing Partnership and Affiliates:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Community Housing Partnership and Affiliates (the "Organization"), with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2013. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

246 FIRST STREET 5TH FLOOR SAN FRANCISCO CALIFORNIA 94105 TELEPHONE (415) 356-8000 FACSIMILE (415) 356-8001 http://www.novoco.com

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Novogradac & Company LLP

San Francisco, California
April 15, 2014

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

	Yes	No
Material weakness(es) identified?		X
Significant deficiency(ies) identified that are not considered to be material weakness(es)?		X
Noncompliance material to financial statements noted?		X

Federal Awards

Internal control over major programs:

	Yes	No
Material weakness(es) identified?		X
Significant deficiency(ies) identified that are not considered to be material weakness(es)?		X

Type of auditor's report issued on compliance for major programs: Unqualified

	Yes	No
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?		X

Identification of major programs:	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.254	Community Development Block Grants/Special Purpose Grants
14.249	Section 8 Moderate Rehabilitation – Single Room Occupancy
14.856	Section 8 Moderate Rehabilitation – Lower Income Housing Assistance

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

	Yes	No
Auditee qualified as low-risk auditee?		X

COMMUNITY HOUSING PARTNERSHIP AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.