

**S.E.C. RULE 15c2-12
ANNUAL REPORT**

The California Housing Finance Agency (the "Issuer") hereby provides its annual report for the fiscal year ended **June 30, 2018** in connection with the following Bonds:

Bond Issues:

Multifamily Housing Revenue Bonds – Maplewood Apartments – FHA Risk-Share Insured Mortgage Loan – 2016 Issue A (the "Bonds") dated February 29, 2016

Annual Report:

The Issuer's "Annual Report" (as defined in the Continuing Disclosure Agreement, **February 1, 2017** with respect to the Bonds, hereinafter the "Disclosure Agreement") for the fiscal year ended **June 30, 2018** consists of information attached as required under the Annual Reports section of the Disclosure Agreement in compliance with S.E.C. Rule 15c2-12.


Other Matters:

This annual report is provided solely for purposes of the Disclosure Agreement. The filing of this report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial or operating information about the Issuer or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this report relates (other than as contained in this report), or that no other information exists, which may have a bearing on the Issuer's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this report has been obtained from sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this annual report should be construed as a prediction or representation about future financial performance of the Issuer.

The information provided herein may relate to bonds or other obligations of the Issuer in addition to the ones listed above.

CALIFORNIA HOUSING FINANCE AGENCY

By:



Larry Flood
Director of Financing

Date: December 7, 2018

The following information is being provided in accordance with the Continuing Disclosure Agreement for the bond issues mentioned below.

Multifamily Housing Revenue Bonds – Maplewood Apartments – FHA Risk-Share Insured Mortgage Loan – 2016 Issue A (the "Bonds") dated February 29, 2016

- (a) **Appendix A – reserved (blank);**
- (b) Original amount of the Mortgage Loan: **\$8,600,000**
- (c) Outstanding amount of the Mortgage Loan: **\$4,647,729.24 as of June 30, 2018**
- (d) Maturity date of the Bond: **8/1/2035**
- (e) Occupancy rate of the Development: **98.71%**
- (f) Debt Coverage ratio: **1.67582**
- (g) Statement of amounts on deposit under the Indenture are attached as **Appendix B**; and
- (h) Audited financial statements of the Development for the immediately preceding Fiscal Year, dated as of December 31, 2017 are attached as **Appendix C**

Appendix A

reserved

California Housing Finance Agency Multifamily Housing Revenue Bonds (Maplewood Apts - FHA Risk Share Insured Mortgage Loan) 2016 Issue A (Non-AMT)(Fixed Rate) Funds Deposited in Money Market Fund June 30, 2018		
<u>Revenue Funds</u>	<u>Reserve Funds</u>	<u>Total</u>
179,390.17	134,414.58	313,804.75

LINDO HOUSING ASSOCIATES, L.P.
CalHFA DEVELOPMENT NO. 15-010-R/S

**Financial Statements and
Independent Auditor's Report For The
Years Ended December 31, 2017 and 2016**

With accompanying information required by
the California Housing Finance Agency



Leaf & Cole, LLP
Certified Public Accountants

LINDO HOUSING ASSOCIATES, L.P.
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Partners
Lindo Housing Associates, L.P.

Report on the Financial Statements

We have audited the accompanying financial statements of Lindo Housing Associates, L.P., CalHFA Development No. 15-010-R/S, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in partners' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements of the *Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency (HCD/CalHFA)*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lindo Housing Associates, L.P. as of December 31, 2017 and 2016, and the changes in its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 17 to 23, as required by the *California Department of Housing and Community Development and California Housing Finance Agency (HCD/CalHFA)*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards* and the requirements of the *Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency (HCD/CalHFA)*, we have also issued our report dated March 28, 2018 on our consideration of Lindo Housing Associates, L.P.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the requirements of the *Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency (HCD/CalHFA)* in considering Lindo Housing Associates, L.P.'s internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
March 28, 2018

LINDO HOUSING ASSOCIATES, L.P.
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>Investment in Real Estate:</u> (Note 2 and 6)		
Land	\$ 120,000	\$ 120,000
Land improvements	639,935	639,935
Buildings and improvements	13,690,264	13,690,264
Furniture and equipment	250,674	244,803
Less: Accumulated depreciation	(886,335)	(369,844)
Net Investment in Real Estate	<u>13,814,538</u>	<u>14,325,158</u>
<u>Other Assets:</u> (Notes 2, 3, 4 and 5)		
Cash - Operating	566,387	47,190
Cash - Development	-	588,403
Rent receivable, net	17,083	7,429
Due from related parties	6,254	12,729
Prepaid expenses	8,243	9,804
Restricted deposits:		
CalHFA impound deposits	19,248	-
Construction reserve	-	181,014
Capital replacement reserve	105,797	-
Operating deficit reserve	247,047	-
Tenant security deposits	68,033	61,510
Deposit	12,107	12,107
Deferred costs, net	33,703	37,605
Total Other Assets	<u>1,083,902</u>	<u>957,791</u>
TOTAL ASSETS	<u>\$ 14,898,440</u>	<u>\$ 15,282,949</u>

LIABILITIES AND PARTNERS' EQUITY

<u>Liabilities:</u> (Notes 2, 5 and 6)		
Notes payable, net	\$ 8,234,554	\$ 12,162,659
Interest payable - Amortized debt	18,699	-
Interest payable - Residual receipts debt	883,596	782,930
Accounts payable and accrued expenses	18,617	21,992
Construction payables	-	31,980
Prepaid rents	695	1,095
Due to related parties	34,480	747,246
Tenant security deposits	66,118	61,507
Total Liabilities	<u>9,256,759</u>	<u>13,809,409</u>
<u>Commitments</u> (Note 8)		
<u>Partners' Equity</u> (Notes 1 and 7)	<u>5,641,681</u>	<u>1,473,540</u>
LIABILITIES AND PARTNERS' EQUITY	<u>\$ 14,898,440</u>	<u>\$ 15,282,949</u>

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

LINDO HOUSING ASSOCIATES, L.P.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Income:</u>		
Gross potential rents	\$ 928,943	\$ 904,531
Less: Vacancy loss and concessions	(12,023)	(18,601)
Total Rental Income	<u>916,920</u>	<u>885,930</u>
Interest income	1,127	11,278
Other income:		
Other tenant charges	20,717	21,756
Cable income	10,509	-
Laundry and vending income	5,359	4,906
Total Income	<u>954,632</u>	<u>923,870</u>
<u>Operating Expenses:</u>		
Administrative	188,339	210,260
Operating and maintenance	132,860	132,924
Utilities	72,728	57,390
Taxes and insurance	55,188	56,742
Total Operating Expenses	<u>449,115</u>	<u>457,316</u>
Net Operating Income Before Financial, Partnership and Other Expenses	<u>505,517</u>	<u>466,554</u>
<u>Financial, Partnership and Other Expenses:</u>		
Depreciation	516,491	346,627
Amortization of deferred costs	3,927	1,635
Interest expense - Amortized debt	239,370	109,023
Interest expense - Residual receipts debt	100,666	51,441
Amortization of debt issuance costs	3,251	-
Partnership management fee	26,523	25,750
Resident services	30,900	30,000
Asset management fee	7,957	7,725
Total Financial, Partnership and Other Expenses	<u>929,085</u>	<u>572,201</u>
NET LOSS	<u>\$ (423,568)</u>	<u>\$ (105,647)</u>

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

LINDO HOUSING ASSOCIATES, L.P.
STATEMENTS OF CHANGES IN PARTNERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Managing General <u>Partner</u>	Special Limited <u>Partner</u>	Investor Limited <u>Partner</u>	Syndication <u>Costs</u>	<u>Total</u>
Profit and Loss Allocation Percentage:	0.01%	0.01%	99.98%		100.00%
Partners' Equity (Deficit) at December 31, 2015	\$ 135,474	\$ (1)	\$ 932,650	\$ -	\$ 1,068,123
Contributions	338,649	-	293,578	-	632,227
Syndication costs	-	-	-	(121,163)	(121,163)
Net loss	<u>(11)</u>	<u>(11)</u>	<u>(105,625)</u>	<u>-</u>	<u>(105,647)</u>
Partners' Equity (Deficit) at December 31, 2016	474,112	(12)	1,120,603	(121,163)	1,473,540
Contributions		-	4,591,709	-	4,591,709
Net loss	<u>(42)</u>	<u>(42)</u>	<u>(423,484)</u>	<u>-</u>	<u>(423,568)</u>
PARTNERS' EQUITY (DEFICIT) AT DECEMBER 31, 2017	<u>\$ 474,070</u>	<u>\$ (54)</u>	<u>\$ 5,288,828</u>	<u>\$ (121,163)</u>	<u>\$ 5,641,681</u>

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

LINDO HOUSING ASSOCIATES, L.P.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Cash Flows From Operating Activities:</u>		
Rental receipts	\$ 878,284	\$ 834,835
Interest receipts	1,127	11,278
Other receipts	34,673	27,163
Total Receipts	<u>914,084</u>	<u>873,276</u>
Administrative	(121,258)	(156,099)
Management fee	(40,016)	(39,040)
Utilities	(73,419)	(56,934)
Operating and maintenance	(133,035)	(135,591)
Taxes and insurance	(41,345)	(40,241)
Property insurance	(11,674)	(23,529)
Miscellaneous taxes and insurance	(1,600)	(3,228)
Interest	(220,671)	(109,023)
Entity expenses	(58,525)	-
Total Disbursements	<u>(701,543)</u>	<u>(563,685)</u>
Net Cash Provided by Operating Activities	<u>212,541</u>	<u>309,591</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of investment in real estate	(719,017)	(5,411,025)
Net (increase) decrease in restricted deposits	(191,078)	5,163,231
Payment of deposit	-	(12,107)
Net Cash Used in Investing Activities	<u>(910,095)</u>	<u>(259,901)</u>
<u>Cash Flows From Financing Activities:</u>		
Payment of deferred costs	(32,005)	(7,260)
Payment of debt issuance costs	(6,199)	(60,113)
Payments on notes payable	(3,925,157)	-
Partner contributions	4,591,709	632,227
Syndication costs	-	(121,163)
Net Cash Provided by Financing Activities	<u>628,348</u>	<u>443,691</u>
Net (Decrease) Increase in Cash	(69,206)	493,381
Cash at Beginning of Year	635,593	142,212
CASH AT END OF YEAR	<u><u>\$ 566,387</u></u>	<u><u>\$ 635,593</u></u>

(Continued)

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

LINDO HOUSING ASSOCIATES, L.P.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Reconciliation of Net Loss to Net</u>		
<u>Cash Provided by Operating Activities:</u>		
Net loss	\$ (423,568)	\$ (105,647)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	516,491	346,627
Amortization of deferred costs	3,927	1,635
Amortization of debt issuance costs	3,251	-
(Increase) Decrease in Operating Assets:		
Rent receivable, net	(9,654)	(1,878)
Due from related parties	6,475	(8,288)
Prepaid expenses	1,561	(9,804)
Tenant security deposits	(6,523)	(8,227)
Increase (Decrease) in Operating Liabilities:		
Interest payable	119,365	51,441
Accounts payable and accrued expenses	(3,375)	4,729
Prepaid rents	(400)	(1,117)
Due to related parties	380	31,392
Tenant security deposits	4,611	8,728
Net Cash Provided by Operating Activities	<u>\$ 212,541</u>	<u>\$ 309,591</u>

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

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1 - Organization:

Lindo Housing Associates, L.P., A California Limited Partnership, (the “Partnership”) was formed as a limited partnership under the laws of the State of California on May 22, 2015 for the purpose of acquiring, rehabilitating and operating a rental housing project (the “Project”). The Project was acquired on November 24, 2015 and consists of 79 units with an occupancy of 100% and 100% at December 31, 2017 and 2016, respectively. The Project is located in Lakeside, California and is currently operating under the name of Maplewood Apartments. The Project was rehabilitated during 2017 and 2016 and placed in service on February 1, 2016.

The Partnership shall continue until December 31, 2090 unless terminated sooner in accordance with the Partnership agreement.

The Project is eligible for Low-Income Housing Tax Credits (LIHTC) established under the program described in Section 42 of the Internal Revenue Code and will generate LIHTC’s beginning in 2016 through 2025 and must maintain compliance through 2030 (15 years). Debt financing was provided by the California Housing Finance Agency (CalHFA) and the County of San Diego (County). The Partnership is regulated under terms of a Regulatory Agreements with CalHFA and the County which regulate rent charges, operating methods and other matters for forty (40) years.

The Partnership has one Managing General Partner, Lakeside Family Housing LLC, a California Limited Liability Company (whose sole Member is Community HousingWorks, a California Nonprofit Corporation) which has a .01% interest, Special Limited Partner MUFG Union Bank, N.A., a National Banking Association, which has a .01% interest and Investor Limited Partner MUFG Union Bank, N.A., a National Banking Association which has a 99.98% interest.

Profits and losses are allocated .01% to the Managing General Partner, .01% to the Special Limited Partner and 99.98% to the Investor Limited Partner. Commencing with the twelfth year of the compliance period, all profit and losses are allocated 50% to the Managing General Partner, .01% to the Special Limited Partner and 49.99% to the Investor Limited Partner.

Distributable cash, if any, as defined by the Partnership Agreement, shall be applied to the Partners in proportion to their respective percentage interests in the Partnership. The Regulatory Agreement with CalHFA entitles the Partnership to an annual distribution of surplus cash. Surplus cash is defined as the gross income remaining at the end of each fiscal year after the payment of operating expenses and CalHFA approved operating expense loans.

Note 2 - Significant Accounting Policies:

Accounting Method

The Partnership’s books are maintained on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The Partnership had no financial instruments at December 31, 2017 and 2016.

Capitalization and Depreciation and Deferred Costs and Amortization

The Partnership's investment in real estate is recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Deferred costs are incurred in order to obtain low-income housing tax credits for the Project. Deferred costs are stated at cost and amortized on a straight-line basis over the 10-year tax credit period.

Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets and deferred costs to operations over their estimated service lives. The estimated service life of the assets for depreciation and amortization purposes may be different than their actual economic useful lives.

	<u>Method</u>	<u>Estimated Life</u>
Land improvements	Straight-line/ MACRS	15 - 20 years
Buildings and improvements	Straight-line/ MACRS	27½ - 40 years
Furniture and equipment	Straight-line/ MACRS	5 - 7 years
Tax credit fees	Straight-line	10 years

Depreciation totaled \$516,491 and \$346,627 for the years ended December 31, 2017 and 2016, respectively. Amortization of deferred costs totaled \$3,927 and \$1,635 for the years ended December 31, 2017 and 2016, respectively.

Interest totaling \$-0- and \$247,334 has been capitalized for the for the years ended December 31, 2017 and 2016, respectively.

Impairment of Real Estate

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amounts of the real estate to the future net undiscounted cash flows expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2017 and 2016.

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 2 - Significant Accounting Policies: (Continued)

Debt Issuance Costs

Debt issuance costs are incurred in order to obtain permanent financing for the Project. Debt issuance costs are amortized on a straight-line basis over the term of the related loan, which approximates the interest method. Unamortized deferred financing costs are presented as a direct reduction from the carrying value of the related obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and totaled \$3,251 and \$-0- for the years ended December 31, 2017 and 2016, respectively.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on management's evaluation of outstanding accounts receivable. The allowance for doubtful rent receivable is \$3,100 and \$14,000 at December 31, 2017 and 2016, respectively.

Deferred Revenue and Prepaid Rents

Laundry payments received in advance are classified as liabilities until earned. Advanced laundry payments are earned and recognized as revenue over the term of the laundry contract. Rental payments received in advance are deferred and classified as liabilities until earned.

Revenue Recognition

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other revenue includes fees for late payments, cleaning, damages, laundry facilities and other charges and is recorded when earned. Rental income is shown at its maximum gross potential. Vacancy loss is shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations.

Income Taxes

No provision for federal and state income taxes is included in the financial statements. The income or loss of the Partnership is reported by the partners on their income tax returns. The Partnership believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Partnership's tax returns for the years ended December 31, 2017, 2016 and 2015 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three or four years after the returns were filed.

Concentrations

The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Partnership considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Certificates of deposit may be redeemed without significant penalty and are considered cash and cash equivalents, regardless of maturity. Cash is defined as cash in demand deposit accounts as well as cash on hand. Not included as cash are funds restricted as to their use, regardless of liquidity, such as construction reserve, capital replacement reserve, operating reserve, impound deposits and tenant security deposits,. The Partnership occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The Partnership has not experienced any losses in such accounts.

Subsequent Events

In preparing these financial statements, the Partnership has evaluated events and transactions for potential recognition or disclosure through March 28, 2018, the date the financial statements were available to be issued.

Note 3 - Restricted Deposits:

According to the Partnership and loan agreements, the Partnership is required to maintain certain reserves.

CalHFA Impound Deposits

The Partnership is required to make monthly deposits to impound accounts to cover insurance premiums and property taxes in accordance with the CalHFA regulatory agreement. The balance is held by CalHFA and expenditures are subject to the supervision and approval by CalHFA. The amount held by CalHFA totaled \$19,248 and \$-0- at December 31, 2017 and 2016, respectively.

Construction Reserve

The Partnership funded a construction reserve from the proceeds of the note payable from CalHFA in the amount of \$5,344,245. The construction reserve will be used to complete the rehabilitation of the Project and all withdrawals must be approved by CalHFA. The amount held in the construction reserve totaled \$-0- and \$181,014 at December 31, 2017 and 2016, respectively.

Capital Replacement Reserve

The Partnership is required to fund a capital replacement reserve in an initial amount of \$79,000 and then in the amount of \$500 per unit per year (\$39,500) or the amount required by any lender.

	<u>2017</u>	<u>2016</u>
Balance, Beginning of Year	\$ -	\$ -
Add: Initial deposit	79,000	-
Deposits	26,336	-
Interest income	461	-
Balance, End of Year	<u>\$ 105,797</u>	<u>\$ -</u>

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 3 - Restricted Deposits: (Continued)

Operating Deficit Reserve

The Partnership is required to fund an operating deficit reserve in an initial amount of \$246,933.

	<u>2017</u>	<u>2016</u>
Balance, Beginning of Year	\$ -	\$ -
Add: Initial deposit	246,933	-
Interest income	114	-
Balance, End of Year	<u>\$ 247,047</u>	<u>\$ -</u>

Tenant Security Deposits

The Partnership is required to hold security deposits in a separate bank account in the name of the Project. The amount held by the Partnership totaled \$68,033 and \$61,510 at December 31, 2017 and 2016, respectively.

Note 4 - Deferred Costs:

Deferred costs consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Tax credit fees	\$ 39,265	\$ 39,240
Less: Accumulated amortization	(5,562)	(1,635)
Deferred Costs, Net	<u>\$ 33,703</u>	<u>\$ 37,605</u>

Note 5 - Related Party Transactions:

Community HousingWorks, a related party, is entitled to a development fee in the amount of \$1,887,409, which has been earned and capitalized into investment in real estate. The development fee payable totaled \$-0- and \$713,096 at December 31, 2017 and 2016, respectively.

The Managing General Partner is entitled to an initial annual partnership management fee of \$25,000 to be increased 3.0% annually thereafter (prorated for any partial year). The partnership management fee earned totaled \$26,523 and \$25,750 for the years ended December 31, 2017 and 2016, respectively.

The Managing General Partner is entitled to an initial payment for resident services of \$45,000 (\$15,000 of which is an operating expense) to be increased 3.0% per year annually thereafter, payment commencing in the year following Project completion and prorated for any partial year, and shall not accrue to the extent unpaid in any given year. The resident services earned totaled \$46,350 and \$45,000 for the years ended December 31, 2017 and 2016, respectively of which \$15,450 and \$15,000 is included in administrative expenses for the years ended December 31, 2017 and 2016, respectively.

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 5 - Related Party Transactions: (Continued)

The Special Limited Partner is entitled to an initial annual asset management fee of \$7,500, to be increased 3.0% annually thereafter (prorated for any partial year). The asset management fee earned totaled \$7,957 and \$7,725 for the years ended December 31, 2017 and 2016, respectively.

The Partnership Agreement provides for various obligations of Community HousingWorks, as the Guarantor, including their obligation to provide funds for any development and operating deficits up to a maximum of \$559,350 for the period specified in Section 3.11.b. of the partnership agreement.

Amounts due to related parties are as follows at December 31:

	<u>2017</u>	<u>2016</u>
Development fee	\$ -	\$ 713,096
Construction advances due to Community HousingWorks	-	50
Partnership management fee	26,523	25,750
Asset management fee	7,957	8,350
Total Due to Related Parties	<u>\$ 34,480</u>	<u>\$ 747,246</u>

Amounts due from related parties are as follows at December 31:

	<u>2017</u>	<u>2016</u>
Advances to Community HousingWorks	<u>\$ 6,254</u>	<u>\$ 12,729</u>
Total Due from Related Parties	<u>\$ 6,254</u>	<u>\$ 12,729</u>

Note 6 - Notes Payable:

Notes payable consist of the following at December 31:

	<u>2017</u>		<u>2016</u>	
	<u>Interest Payable</u>	<u>Principal</u>	<u>Interest Payable</u>	<u>Principal</u>
Note payable which was originated on November 24, 2015, is held by CalHFA in the original amount of \$8,600,000. The note bears interest at 3.65% during the construction phase, with monthly interest only payments. Principal totaling \$4,710,000 was converted to permanent financing on March 1, 2017. The note is payable in monthly installments of \$23,173, with interest at 4.80% through the maturity date of March 1, 2034. Secured by a deed of trust.	\$ 18,699	\$ 4,674,843	\$ -	\$ 8,600,000

(Continued)

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 6 - Notes Payable: (Continued)

	2017		2016	
	Interest Payable	Principal	Interest Payable	Principal
<p>Note payable which was originated on May 19, 1999 and assumed on November 24, 2015, is held by County of San Diego (the "County"), Department of Housing and Community Development in the original amount of \$2,049,976 and bears interest at 3.00%. Principal and interest payments are payable annually from 25% of residual receipts for the first fifteen years and 50% for the remainder of the term. Principal and interest are due May 28, 2054. Secured by a deed of trust. Residual receipts payments required totaled \$236,141 and \$-0- for the years ended December 31, 2017 and 2016, respectively.</p>	\$ 760,323	\$ 1,376,364	\$ 719,032	\$ 1,376,364

The note payable which originated on November 24, 2015, is held by Community HousingWorks in the original amount of \$2,246,408 and bears interest at 2.57%. Principal and interest are payable annually from residual receipts not paid to the County loan. Principal and accrued interest are due December 31, 2072. Secured by a deed of trust. Residual receipts payments required totaled \$236,140 and \$-0- for the years ended December 31, 2017 and 2016, respectively.

	123,273	2,246,408	63,898	2,246,408
Total	902,295	8,297,615	782,930	12,222,772
Less: Unamortized debt issuance	-	(63,061)	-	(60,113)
Total, Net	\$ 902,295	\$ 8,234,554	\$ 782,930	\$ 12,162,659

Debt issuance costs totaling \$66,312 and \$60,133 at December 31, 2017 and 2016, respectively, less accumulated amortization of \$3,251 and \$-0- at December 31, 2017 and 2016, respectively.

The future principal payments on the notes payable are as follows:

Years Ended December 31		
2018		\$ 54,886
2019		57,579
2020		60,404
2021		63,368
2022		66,478
Thereafter		7,994,900
Total		\$ 8,297,615

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 7 - Distribution of Operating Cash Flow/Surplus Cash:

The Regulatory Agreement with CalHFA entitles the Partnership to an annual distribution of surplus cash. In accordance with the Partnership Agreement, distributable cash is limited to excess cash, as defined by the Partnership Agreement and is distributable as follows:

- 1) Excess cash shall be applied in the following order of priority:
 - i. Payment of mandatory debt service due and payable on the loans;
 - ii. Other Partnership expenses, except for Partnership expenses listed in Section 4.1(a) or in Section 4.1(b) of the Partnership Agreement;
 - iii. Fund the Capital Replacement Reserve;
 - iv. Repayment of any Limited Partner loan;
 - v. Payment of the current or accrued annual Asset Management Fee;
 - vi. To any amounts due under the Developer Fee Note;
 - vii. Payment of the current and accrued annual Partnership Management Fee and the Resident Services Fee;
 - viii. To Investor Limited Partner in the amount of any distribution of an Adjuster Contribution or Accelerated Adjuster Contribution that would have been due to it but for the application of Section 3.3(d)(ii) of the Partnership Agreement;
 - ix. Repayment of any Operating Deficit Loan and any Developmental Deficiency Loan, pro rata in accordance with the respective outstanding balances thereof.
 - x. To the Partners in accordance with their percentage interests.

- 2) Distributable cash, if any, to the Partners in proportion to their respective percentage interests in the Partnership, subject to the following:
 - i. To the extent that the Managing General Partner, any Guarantor, or any Affiliate of the Managing General Partner or Guarantor shall have failed to make any payment to or for the benefit of the Partnership or any Limited Partner required under this Agreement or the Guaranty, amounts that would otherwise be payable hereunder to the Managing General Partner, any Guarantor, or any Affiliate of the Managing General Partner or any Guarantor shall instead be paid to the Investor Limited Partner until all such obligations have been paid and satisfied.
 - ii. In no event shall (i) the Investor Limited Partner receive less than ten percent (10%) of the distributions made pursuant to Section 4.1(a), and (ii) the fees paid to the Managing General Partner pursuant to Section 4.1(a) hereof exceed twelve percent (12%) of Gross Cash Receipts from Operations.
 - iii. The Partnership shall make payments on account of the County of San Diego Loan and the Seller Carryback Loan in accordance with the terms of the loan documents governing such Loans.

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 8 - Commitments:

Property Purchase Option

The Guarantor (Community HousingWorks) shall have an option, exercisable during the two years immediately following the end of the last expiring Compliance Period for any building in the Project, upon 60 days prior written notice to the Special Limited Partner, to purchase the aggregate Interests of the Investor Limited Partner and the Special Limited Partner, (but not the Interests of only one of them), for a purchase price equal to the greater of (i) the fair market value of such Interests, or (ii) \$1.00 plus all federal and state income taxes due by the Limited Partners as a result of such sale by them of their Interests and the receipt of such funds (including the receipt of the funds described in this clause (ii)). Fair market value of such Interests shall be determined by appraisers selected in the same manner as they are selected pursuant to the Option Agreement. The Guarantor may not exercise this option without the Special Limited Partner's prior written consent if such exercise would cause the Investor Limited Partner to incur a capital loss after giving effect to all allocation provisions set forth in this Agreement.

Solar Service Leases

The General Partner entered into a lease agreement on June 9, 2015 that will be effective in 2017 upon the completion of the installation, with an unrelated entity ("Power Provider") to install solar photovoltaic electric power generating systems and provide the related services. The Power Provider owns the equipment during the twenty (20) year service term. The Managing General Partner obtained a solar rebate which has been credited as prepayments of service charges payable to the Power Provider over the term of the agreement. No other payments are required to be made during the service term. The Managing General Partner has an option to purchase the equipment at its fair value at the end of the service term.

LINDO HOUSING ASSOCIATES, L.P.
SUPPLEMENTARY SCHEDULES OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Rent Revenue:</u>		
5120 Rent revenue - Gross potential	\$ 928,943	\$ 904,531
5100T Total Rent Revenue	<u>928,943</u>	<u>904,531</u>
<u>Vacancies:</u>		
5220 Apartments	10,565	16,726
5250 Rental concessions	1,458	1,875
5200T Total Vacancies	<u>12,023</u>	<u>18,601</u>
5152N Net Rental Revenue	<u>916,920</u>	<u>885,930</u>
<u>Financial Revenue:</u>		
5410 Financial revenue - Project operations	552	22
5440 Revenue from investgms - Replacement reserve	461	-
5490 Revenue from investments - Miscellaneous	114	11,256
5400T Total Financial Revenue	<u>1,127</u>	<u>11,278</u>
<u>Other Revenue:</u>		
5910 Laundry and vending revenue	5,359	4,906
5920 Tenant charges	20,717	21,756
5990 Miscellaneous revenue - Cable income	10,509	-
5900T Total Other Revenue	<u>36,585</u>	<u>26,662</u>
5000T Total Revenue	<u>954,632</u>	<u>923,870</u>

(Continued)

LINDO HOUSING ASSOCIATES, L.P.
SUPPLEMENTARY SCHEDULES OF OPERATIONS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Administrative Expenses:</u>		
6203	\$ 1,112	\$ 1,934
6210	3,670	1,852
6250	1,311	1,499
6310	1,964	7,499
6311	18,245	17,218
6320	40,178	39,040
6330	45,179	50,295
6331	14,652	14,652
6340	8,780	13,637
6350	10,154	11,674
6351	250	-
6370	13,930	33,448
6390	Miscellaneous administrative expenses:	
	Resident services	15,450
	Monitoring fees	6,025
	Temporary services - Administrative	3,240
	Employee training	1,249
	Payroll processing	926
	Miscellaneous	2,024
6263T	<u>188,339</u>	<u>210,260</u>
<u>Utilities Expenses:</u>		
6450	10,854	18,247
6451	29,287	24,328
6452	14,696	14,815
6453	17,891	-
6400T	<u>72,728</u>	<u>57,390</u>
<u>Operating and Maintenance Expenses:</u>		
6510	48,985	62,098
6515	40,608	35,686
6520	24,012	16,366
6525	19,255	18,774
6500T	<u>132,860</u>	<u>132,924</u>
<u>Taxes and Insurance:</u>		
6710	11,606	286
6711	8,851	10,266
6720	13,235	13,726
6722	8,843	13,989
6723	11,053	15,247
6790	1,600	3,228
6700T	<u>55,188</u>	<u>56,742</u>

(Continued)

LINDO HOUSING ASSOCIATES, L.P.
SUPPLEMENTARY SCHEDULES OF OPERATIONS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Financial Expenses:</u>		
6820 Interest on mortgage (or bonds) payable	\$ 239,370	\$ 109,023
6825 Interest on other mortgages - Residual receipts	100,666	51,441
6899 Amortization of debt issuance costs	3,251	-
6700T Total Financial Expenses	<u>343,287</u>	<u>160,464</u>
6000 Total Cost of Operations before Depreciation and Amortization	<u>792,402</u>	<u>617,780</u>
5060 Operating Profit (Loss) Before Depreciation and Amortization	162,230	306,090
<u>Depreciation and Amortization:</u>		
6600 Depreciation	<u>516,491</u>	<u>346,627</u>
6610 Amortization of deferred costs	<u>3,927</u>	<u>1,635</u>
5060N Operating Profit (Loss)	<u>(358,188)</u>	<u>(42,172)</u>
<u>Net Entity Expenses:</u>		
7190 Other Expenses:		
Partnership management fee	26,523	25,750
Resident services	30,900	30,000
Asset management fee	7,957	7,725
7100T Total Net Entity Expenses	<u>65,380</u>	<u>63,475</u>
3250 Change in Total Net Assets from Operations	<u>\$ (423,568)</u>	<u>\$ (105,647)</u>

LINDO HOUSING ASSOCIATES, L.P.
SUPPLEMENTARY INFORMATION FOR CalHFA
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash on Hand and in Banks:

Unrestricted Accounts:

Checking account - Operations	\$ 566,087
Petty cash	300
Total Unrestricted Accounts	<u>\$ 566,387</u>

Restricted Accounts:

CALHFA impound deposits	\$ 19,248
Capital replacement reserve	105,797
Operating deficit reserve	247,047
Tenant security deposits	68,033
Total Restricted Accounts	<u>\$ 440,125</u>

Mortgage Impound Deposits:

	<u>Property Tax</u>	<u>Property Insurance</u>	<u>Total</u>
Balance at December 31, 2016	\$ -	\$ -	\$ -
Additions:			
Initial deposit	5,104	16,478	21,582
5 x 1,908	9,540	-	9,540
3 x 1,907	5,720	-	5,720
5 x 2,354	-	11,770	11,770
3 x 1,896	-	5,688	5,688
Interest earned	114	-	114
Payments for insurance and taxes	(15,382)	(19,784)	(35,166)
Transfer	<u>(1,364)</u>	<u>1,364</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 3,732</u>	<u>\$ 15,516</u>	<u>\$ 19,248</u>

LINDO HOUSING ASSOCIATES, L.P.
SUPPLEMENTARY INFORMATION FOR CalHFA
FOR THE YEAR ENDED DECEMBER 31, 2017

Reserves for Replacements and Operating Expenses:

In accordance with the provisions of the Regulatory Agreement, restricted cash is held by the Partnership to be used for replacements of property and other reserve requirements with the approval of the Partnership as follows:

	<u>Capital Replacement Reserve</u>	<u>Operating Deficit Reserve</u>
Balance at December 31, 2016	\$ -	\$ -
Initial deposit	79,000	246,933
Monthly deposits (8 x \$3,292)	26,336	-
Interest income	461	114
Balance at December 31, 2017	<u>\$ 105,797</u>	<u>\$ 247,047</u>

Property, Equipment and Improvements:

Following are the details of property, equipment and improvements for the year ended December 31, 2017:

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Improvements</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Balance at December 31, 2016	\$ 120,000	\$ 639,935	\$ 13,690,264	\$ 244,803	\$ 14,695,002
Additions	-	-	-	5,871	5,871
Deletions	-	-	-	-	-
Balance at December 31, 2017	<u>\$ 120,000</u>	<u>\$ 639,935</u>	<u>\$ 13,690,264</u>	<u>\$ 250,674</u>	<u>\$ 14,700,873</u>

LINDO HOUSING ASSOCIATES, L.P.
SUPPLEMENTARY INFORMATION FOR CalHFA
FOR THE YEAR ENDED DECEMBER 31, 2017

Accounts Payable and Accrued Expenses:

Accounts payable and payables to vendors are being paid on a current basis and consist of the following at December 31, 2017:

Accrued expenses	\$ <u>18,617</u>
	\$ <u><u>18,617</u></u>

Gross Potential Rents:

Tenant rental payments	\$ 902,268
Vacancy loss and concessions	12,023
Employee quarters shown as an expense	<u>14,652</u>
Total Gross Potential Rents	\$ <u><u>928,943</u></u>

Management Fee:

A property management fee totaling \$40,178 was incurred during 2017 for the property management services provided by ConAm Management.

LINDO HOUSING ASSOCIATES, L.P.
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA HOUSING FINANCING AGENCY
FOR THE YEAR ENDED DECEMBER 31, 2017

Computation of Operating Cash Flow/Surplus Cash

Operating Cash Flow/Surplus Cash will be distributed according to the HCD method.

Operating Income:	
Total income	\$ 954,632
Interest earned on restricted reserve accounts	(575)
Adjusted Operating Income	<u>954,057</u>
Operating Expenses	<u>(449,115)</u>
Adjusted Net Income	<u>504,942</u>
Other Activity:	
Mandatory debt service - amortizing debt	(274,527)
Deposits into replacement reserve account	(26,336)
Surplus development funds	333,582
Withdrawals from capital replacement reserve account included in operating expenses	-
Total Other Activity	<u>32,719</u>
Operating Cash Flow/Surplus Cash	<u>537,661</u>
Distribution of Operating Cash Flow/Surplus Cash:	
Asset management fee	(7,957)
Partnership management fee	(26,523)
Resident services	(30,900)
Total Cash Available for Distributions	<u><u>\$ 472,281</u></u>
Distributions and Loan Payments:	
County of San Diego (50%)	\$ 236,141
Community HousingWorks (50%)	236,140
	<u><u>\$ 472,281</u></u>



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Partners
Lindo Housing Associates, L.P.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lindo Housing Associates, L.P. (the "Partnership"), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in partner's equity and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated March 28, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Leaf & Cole LLP

San Diego, California
March 28, 2018

LINDO HOUSING ASSOCIATES, L.P.
CalHFA DEVELOPMENT NO. 15-010-R/S
SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

Status of Prior Year Findings and Recommendations:

There were no findings, comments or recommendations reported in the December 31, 2016 financial statements.

Current Year Findings and Recommendations:

There were no findings, comments or recommendations for the year ended December, 31, 2017.