

**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, 2019** 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, 2019** 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:



Timothy Hsu
Interim Director of Financing

Date: December 19, 2019

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: **\$4,572,168.00 as of November 1, 2019**
- (d) Maturity date of the Bond: **8/1/2035**
- (e) Occupancy rate of the Development: **98.47% (2018 Audit)**
- (f) Debt Coverage ratio: **1.6250 (2018 Audit)**
- (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, 2018 are attached as **Appendix C**

Appendix A

reserved

Appendix B

**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, 2019**

<u>Revenue Funds</u>	<u>Reserve Funds</u>	<u>Total</u>
263,573.86	136,939.78	400,513.64

Appendix C

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, 2018 and 2017**

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, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 4, 2019 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 solely 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 4, 2019

LINDO HOUSING ASSOCIATES, L.P.
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</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	250,674
Less: Accumulated depreciation	<u>(1,384,594)</u>	<u>(886,335)</u>
Net Investment in Real Estate	<u>13,316,279</u>	<u>13,814,538</u>
<u>Other Assets:</u> (Notes 2, 3, 4 and 5)		
Cash - Operating	188,326	566,387
Rent receivable, net	15,676	17,083
Due from related parties	12,729	6,254
Prepaid expenses	10,630	8,243
Restricted deposits:		
CalHFA impound deposits	28,695	19,248
Capital replacement reserve	141,142	105,797
Operating deficit reserve	248,002	247,047
Tenant security deposits	71,674	68,033
Deposit	12,107	12,107
Deferred costs, net	<u>29,776</u>	<u>33,703</u>
Total Other Assets	<u>758,757</u>	<u>1,083,902</u>
TOTAL ASSETS	<u>\$ 14,075,036</u>	<u>\$ 14,898,440</u>

LIABILITIES AND PARTNERS' EQUITY

<u>Liabilities:</u> (Notes 2, 5 and 6)		
Notes payable, net	\$ 8,070,702	\$ 8,234,554
Interest payable - Amortized debt	18,480	18,699
Interest payable - Residual receipts debt	626,024	883,596
Accounts payable and accrued expenses	31,882	18,617
Prepaid rents	120	695
Due to related parties	35,515	34,480
Tenant security deposits	<u>71,626</u>	<u>66,118</u>
Total Liabilities	<u>8,854,349</u>	<u>9,256,759</u>
<u>Commitments</u> (Note 8)		
<u>Partners' Equity</u> (Notes 1 and 7)	<u>5,220,687</u>	<u>5,641,681</u>
LIABILITIES AND PARTNERS' EQUITY	<u>\$ 14,075,036</u>	<u>\$ 14,898,440</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Income:</u>		
Gross potential rents	\$ 972,863	\$ 928,943
Less: Vacancy loss and concessions	(17,143)	(12,023)
Total Rental Income	<u>955,720</u>	<u>916,920</u>
Interest income	3,285	1,127
Other income:		
Other tenant charges	12,119	20,717
Laundry and vending income	5,430	5,359
Cable income	4,553	10,509
Total Income	<u>981,107</u>	<u>954,632</u>
<u>Operating Expenses:</u>		
Administrative	218,908	188,339
Operating and maintenance	153,078	132,860
Utilities	71,138	72,728
Taxes and insurance	60,729	55,188
Total Operating Expenses	<u>503,853</u>	<u>449,115</u>
Net Operating Income Before Financial, Partnership and Other Expenses	<u>477,254</u>	<u>505,517</u>
<u>Financial, Partnership and Other Expenses:</u>		
Depreciation	498,259	516,491
Amortization of deferred costs	3,927	3,927
Interest expense - Amortized debt	222,976	239,370
Interest expense - Residual receipts debt	101,843	100,666
Amortization of debt issuance costs	3,901	3,251
Partnership management fee	27,319	26,523
Resident services	31,827	30,900
Asset management fee	8,196	7,957
Total Financial, Partnership and Other Expenses	<u>898,248</u>	<u>929,085</u>
NET LOSS	<u>\$ (420,994)</u>	<u>\$ (423,568)</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, 2018 AND 2017

	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, 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	474,070	(54)	5,288,828	(121,163)	5,641,681
Net loss	<u>(42)</u>	<u>(42)</u>	<u>(420,911)</u>	<u>-</u>	<u>(420,994)</u>
PARTNERS' EQUITY (DEFICIT) AT DECEMBER 31, 2018	<u>\$ 474,028</u>	<u>\$ (96)</u>	<u>\$ 4,867,917</u>	<u>\$ (121,163)</u>	<u>\$ 5,220,687</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows From Operating Activities:</u>		
Rental receipts	\$ 919,041	\$ 878,284
Interest receipts	3,285	1,127
Other receipts	23,969	34,673
Total Receipts	<u>946,295</u>	<u>914,084</u>
Administrative	(152,487)	(121,258)
Management fee	(41,016)	(40,016)
Utilities	(68,189)	(73,419)
Operating and maintenance	(144,531)	(133,035)
Taxes and insurance	(35,595)	(41,345)
Property insurance	(25,514)	(11,674)
Miscellaneous taxes and insurance	(1,674)	(1,600)
Interest	(582,610)	(220,671)
Entity expenses	(59,240)	(58,525)
Total Disbursements	<u>(1,110,856)</u>	<u>(701,543)</u>
Net Cash (Used in) Provided by Operating Activities	<u>(164,561)</u>	<u>212,541</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of investment in real estate	-	(719,017)
Net increase in restricted deposits	(45,747)	(191,078)
Net Cash Used in Investing Activities	<u>(45,747)</u>	<u>(910,095)</u>
<u>Cash Flows From Financing Activities:</u>		
Payment of deferred costs	-	(32,005)
Payment of debt issuance costs	-	(6,199)
Payments on notes payable	(167,753)	(3,925,157)
Partner contributions	-	4,591,709
Net Cash (Used in) Provided by Financing Activities	<u>(167,753)</u>	<u>628,348</u>
Net Decrease in Cash	(378,061)	(69,206)
Cash at Beginning of Year	566,387	635,593
CASH AT END OF YEAR	<u>\$ 188,326</u>	<u>\$ 566,387</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Reconciliation of Net Loss to Net</u>		
<u>Cash (Used in) Provided by Operating Activities:</u>		
Net loss	\$ (420,994)	\$ (423,568)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	498,259	516,491
Amortization of deferred costs	3,927	3,927
Amortization of debt issuance costs	3,901	3,251
(Increase) Decrease in Operating Assets:		
Rent receivable, net	1,407	(9,654)
Due from related parties	(6,475)	6,475
Prepaid expenses	(2,387)	1,561
Tenant security deposits	(3,641)	(6,523)
Increase (Decrease) in Operating Liabilities:		
Interest payable	(257,791)	119,365
Accounts payable and accrued expenses	13,265	(3,375)
Prepaid rents	(575)	(400)
Due to related parties	1,035	380
Tenant security deposits	5,508	4,611
Net Cash (Used in) Provided by Operating Activities	<u>\$ (164,561)</u>	<u>\$ 212,541</u>

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

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 96% and 100% at December 31, 2018 and 2017, respectively. The Project is located in Lakeside, California and is currently operating under the name of Maplewood Apartments. The Project was rehabilitated during 2015 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.

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Significant Accounting Policies: (Continued)

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.

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, 2018 and 2017.

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 \$498,259 and \$516,491 for the years ended December 31, 2018 and 2017, respectively. Amortization of deferred costs totaled \$3,927 and \$3,927 for the years ended December 31, 2018 and 2017, respectively.

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Significant Accounting Policies: (Continued)

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 2018 and 2017.

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 \$3,901 and \$3,251 for the years ended December 31, 2018 and 2017, 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 \$16,100 and \$3,100 at December 31, 2018 and 2017, 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.

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Significant Accounting Policies: (Continued)

Income Taxes (Continued)

The Partnership's tax returns for the years ended December 31, 2018, 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.

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 4, 2019, the date the financial statements were available to be issued and concluded that there were no events or transactions that needed to be disclosed.

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 \$28,695 and \$19,248 at December 31, 2018 and 2017, respectively.

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 3 - Restricted Deposits: (Continued)

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 annually) or the amount required by any lender.

	<u>2018</u>	<u>2017</u>
Balance, Beginning of Year	\$ 105,797	\$ -
Add: Initial deposit	-	79,000
Deposits	39,504	26,336
Interest income	1,705	461
Transfer to CalHFA Impound Deposits	<u>(5,864)</u>	<u>-</u>
Balance, End of Year	<u>\$ 141,142</u>	<u>\$ 105,797</u>

Operating Deficit Reserve

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

	<u>2018</u>	<u>2017</u>
Balance, Beginning of Year	\$ 247,047	\$ -
Add: Initial deposit	-	246,933
Interest income	955	114
Balance, End of Year	<u>\$ 248,002</u>	<u>\$ 247,047</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 \$71,674 and \$68,033 at December 31, 2018 and 2017, respectively.

Note 4 - Deferred Costs:

Deferred costs consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Tax credit fees	\$ 39,265	\$ 39,265
Less: Accumulated amortization	<u>(9,489)</u>	<u>(5,562)</u>
Deferred Costs, Net	<u>\$ 29,776</u>	<u>\$ 33,703</u>

Note 5 - Related Party Transactions:

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 \$27,319 and \$26,523 for the years ended December 31, 2018 and 2017, respectively.

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 5 - Related Party Transactions: (Continued)

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 \$47,741 and \$46,350 for the years ended December 31, 2018 and 2017, respectively of which \$15,914 and \$15,450 is included in administrative expenses for the years ended December 31, 2018 and 2017, respectively.

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 \$8,196 and \$7,957 for the years ended December 31, 2018 and 2017, 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>2018</u>	<u>2017</u>
Partnership management fee	\$ 27,319	\$ 26,523
Asset management fee	8,196	7,957
Total Due to Related Parties	\$ 35,515	\$ 34,480

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

	<u>2018</u>	<u>2017</u>
Advances to Community HousingWorks	\$ 12,729	\$ 6,254
Total Due from Related Parties	\$ 12,729	\$ 6,254

Note 6 - Notes Payable:

Notes payable consist of the following at December 31:

	2018		2017	
	Interest Payable	Principal	Interest Payable	Principal
Note payable which was originated on November 24, 2015, is held by CalHFA in the original amount of \$8,600,000. 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.	\$ 18,480	\$ 4,619,958	\$ 18,699	\$ 4,674,843

(Continued)

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 6 - Notes Payable: (Continued)

	2018		2017	
	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 \$44,943 and \$236,141 for the years ended December 31, 2018 and 2017, respectively.</p>	\$ 565,473	\$ 1,376,364	\$ 760,323	\$ 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 \$44,943 and \$236,140 for the years ended December 31, 2018 and 2017, respectively.

	60,551	2,133,540	123,273	2,246,408
Total	644,504	8,129,862	902,295	8,297,615
Less: Unamortized debt issuance	-	(59,160)	-	(63,061)
Total, Net	\$ 644,504	\$ 8,070,702	\$ 902,295	\$ 8,234,554

Debt issuance costs total \$66,312, less accumulated amortization of \$7,152 and \$3,251 at December 31, 2018 and 2017, respectively.

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 6 - Notes Payable: (Continued)

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

<u>Years Ended</u> <u>December 31</u>	
2019	\$ 57,579
2020	60,404
2021	63,368
2022	66,478
2023	69,740
Thereafter	<u>7,812,293</u>
Total	<u>\$ 8,129,862</u>

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.

LINDO HOUSING ASSOCIATES, L.P.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 7 - Distribution of Operating Cash Flow/Surplus Cash: (Continued)

- 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.

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Rent Revenue:</u>		
5120 Rent revenue - Gross potential	\$ 972,863	\$ 928,943
5100T Total Rent Revenue	<u>972,863</u>	<u>928,943</u>
<u>Vacancies:</u>		
5220 Apartments	17,143	10,565
5250 Rental concessions	-	1,458
5200T Total Vacancies	<u>17,143</u>	<u>12,023</u>
5152N Net Rental Revenue	<u>955,720</u>	<u>916,920</u>
<u>Financial Revenue:</u>		
5410 Financial revenue - Project operations	625	552
5440 Revenue from investgms - Replacement reserve	1,705	461
5490 Revenue from investments - Miscellaneous	955	114
5400T Total Financial Revenue	<u>3,285</u>	<u>1,127</u>
<u>Other Revenue:</u>		
5910 Laundry and vending revenue	5,430	5,359
5920 Tenant charges	12,119	20,717
5990 Miscellaneous revenue - Cable income	4,553	10,509
5900T Total Other Revenue	<u>22,102</u>	<u>36,585</u>
5000T Total Revenue	<u>981,107</u>	<u>954,632</u>

(Continued)

LINDO HOUSING ASSOCIATES, L.P.
SUPPLEMENTARY SCHEDULES OF OPERATIONS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Administrative Expenses:</u>		
6203	\$ 3,153	\$ 1,112
6210	9,897	3,670
6250	785	1,311
6310	6,015	1,964
6311	19,256	18,245
6320	41,100	40,178
6330	46,218	45,179
6331	14,652	14,652
6340	4,552	8,780
6350	7,130	10,154
6351	250	250
6370	22,859	13,930
6390		
Temporary services - Administrative	19,665	3,240
Resident services	15,914	15,450
Miscellaneous	3,613	2,024
Monitoring fees	2,357	6,025
Payroll processing	879	926
Employee training	613	1,249
6263T	<u>218,908</u>	<u>188,339</u>
<u>Utilities Expenses:</u>		
6450	2,529	10,854
6451	28,234	29,287
6452	16,892	14,696
6453	23,483	17,891
6400T	<u>71,138</u>	<u>72,728</u>
<u>Operating and Maintenance Expenses:</u>		
6510	45,819	48,985
6515	62,929	40,608
6520	23,761	24,012
6525	20,569	19,255
6500T	<u>153,078</u>	<u>132,860</u>
<u>Taxes and Insurance:</u>		
6710	9,045	11,606
6711	9,152	8,851
6720	23,127	13,235
6722	7,808	8,843
6723	9,923	11,053
6790	1,674	1,600
6700T	<u>60,729</u>	<u>55,188</u>

(Continued)

LINDO HOUSING ASSOCIATES, L.P.
SUPPLEMENTARY SCHEDULES OF OPERATIONS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Financial Expenses:</u>		
6820 Interest on mortgage (or bonds) payable	\$ 222,976	\$ 239,370
6825 Interest on other mortgages - Residual receipts	101,843	100,666
6899 Amortization of debt issuance costs	3,901	3,251
6700T Total Financial Expenses	<u>328,720</u>	<u>343,287</u>
6000 Total Cost of Operations before Depreciation and Amortization	<u>832,573</u>	<u>792,402</u>
5060 Operating Profit (Loss) Before Depreciation and Amortization	148,534	162,230
<u>Depreciation and Amortization:</u>		
6600 Depreciation	<u>498,259</u>	<u>516,491</u>
6610 Amortization of deferred costs	<u>3,927</u>	<u>3,927</u>
5060N Operating Profit (Loss)	<u>(353,652)</u>	<u>(358,188)</u>
<u>Net Entity Expenses:</u>		
7190 Other Expenses:		
Partnership management fee	27,319	26,523
Resident services	31,827	30,900
Asset management fee	8,196	7,957
7100T Total Net Entity Expenses	<u>67,342</u>	<u>65,380</u>
3250 Change in Total Net Assets from Operations	<u>\$ (420,994)</u>	<u>\$ (423,568)</u>

LINDO HOUSING ASSOCIATES, L.P.
SUPPLEMENTARY INFORMATION FOR CalHFA
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash on Hand and in Banks:

Unrestricted Accounts:

Checking account - Operations	\$ <u>188,326</u>
Total Unrestricted Accounts	\$ <u><u>188,326</u></u>

Restricted Accounts:

CALHFA impound deposits	\$ 28,695
Capital replacement reserve	141,142
Operating deficit reserve	248,002
Tenant security deposits	<u>71,674</u>
Total Restricted Accounts	\$ <u><u>489,513</u></u>

Mortgage Impound Deposits:

	Property <u>Tax</u>	Property <u>Insurance</u>	Total
Balance at December 31, 2017	\$ 3,732	\$ 15,516	\$ 19,248
Additions:			
6 x 2,615	15,690	-	15,690
5 x 1,907	9,534	-	9,534
1 x 6,298	6,298	-	6,298
10 x 1,896	-	18,960	18,960
1 x 8,301	-	8,301	8,301
1 x 2,445	-	2,445	2,445
Interest earned	398	-	398
Payments for insurance and taxes	(32,529)	(25,514)	(58,043)
Transfer from Capital Replacement Reserve	5,864	-	5,864
Transfer	<u>147</u>	<u>(147)</u>	<u>-</u>
Balance at December 31, 2018	\$ <u><u>9,134</u></u>	\$ <u><u>19,561</u></u>	\$ <u><u>28,695</u></u>

LINDO HOUSING ASSOCIATES, L.P.
SUPPLEMENTARY INFORMATION FOR CalHFA
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2017	\$ 105,797	\$ 247,047
Monthly deposits (12 x \$3,292)	39,504	-
Interest income	1,705	955
Transfer to CalHFA Impound Deposits	(5,864)	-
Balance at December 31, 2018	<u>\$ 141,142</u>	<u>\$ 248,002</u>

Property, Equipment and Improvements:

Following are the details of property, equipment and improvements for the year ended December 31, 2018:

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Improvements</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Balance at December 31, 2017	\$ 120,000	\$ 639,935	\$ 13,690,264	\$ 250,674	\$ 14,700,873
Additions	-	-	-	-	-
Deletions	-	-	-	-	-
Balance at December 31, 2018	<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, 2018

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, 2018:

Accrued expenses	\$ 31,882
	<u>\$ 31,882</u>

Gross Potential Rents:

Tenant rental payments	\$ 941,068
Vacancy loss and concessions	17,143
Employee quarters shown as an expense	<u>14,652</u>
Total Gross Potential Rents	<u>\$ 972,863</u>

Management Fee:

A property management fee totaling \$41,100 was incurred during 2018 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, 2018

Computation of Operating Cash Flow/Surplus Cash

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

Operating Income:	
Total income	\$ 981,107
Interest earned on restricted reserve accounts	(2,660)
Adjusted Operating Income	<u>978,447</u>
Operating Expenses	<u>(503,853)</u>
Adjusted Net Income	<u>474,594</u>
Other Activity:	
Mandatory debt service - amortizing debt	(277,862)
Deposits into replacement reserve account	(39,504)
Withdrawals from capital replacement reserve account included in operating expenses	-
Total Other Activity	<u>(317,366)</u>
Operating Cash Flow/Surplus Cash	157,228
Distribution of Operating Cash Flow/Surplus Cash:	
Asset management fee	(8,196)
Partnership management fee	(27,319)
Resident services	(31,827)
Total Cash Available for Distributions	\$ <u>89,886</u>
Distributions and Loan Payments:	
County of San Diego (50%)	\$ 44,943
Community HousingWorks (50%)	44,943
	<u>\$ 89,886</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, 2018 and 2017, 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, and have issued our report thereon dated March 4, 2019.

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 4, 2019

LINDO HOUSING ASSOCIATES, L.P.
CalHFA DEVELOPMENT NO. 15-010-R/S
SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

Status of Prior Year Findings and Recommendations:

There were no findings, comments or recommendations reported in the December 31, 2017 financial statements.

Current Year Findings and Recommendations:

There were no findings, comments or recommendations for the year ended December 31, 2018.