ISLAND CITY DEVELOPMENT
AND SUBSIDIARIES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2018

HOLTHOUSE | CARLIN | VAN TRIGT LLP

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
DECEMBER 31, 2018
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Island City Development:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Island City Development (a California nonprofit public benefit corporation) and its Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, changes in net assets, and cash flows, for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion on Consolidated Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Island City Development and its Subsidiaries as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
October 8, 2019

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31,		2018
ASSETS		
Property, at cost		
Land improvements	$	2,170,596
Building and improvements		26,136,686
Furniture and equipment		512,067
Total property		28,819,349
Less: accumulated depreciation		(183,946)
Net property		28,635,403
Cash and cash equivalents		725,048
Other receivables		255,081
Due from affiliates		29,437
Restricted funds:		
Tenant security deposits		22,924
Prepaid ground lease and other		3,363,574
Preacquisition costs		627,621
Prepaid ground lease		5,933
Deposits - TCAC		64,487
Deferred costs - TCAC fees		89,717
Total assets	$	33,819,225
LIABILITIES AND NET ASSETS		
Notes payable, net	$	30,537,441
Accounts payable and accrued expenses		21,499
Accrued construction and development costs		2,157,399
Accrued interest payable		610,469
Developer fee payable		167,500
Accrued Asset Management Fee payable		2,083
Accrued ground lease		997
Tenant security deposits		22,924
Total liabilities		33,520,312
Net assets		
Without donor restrictions - controlling interests		(370,473)
Without donor restrictions - noncontrolling interests		669,386
Total net assets		298,913
Total liabilities and net assets	$	33,819,225

See notes to consolidated financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31,		2018
Revenue:		
Residential rent	$	47,546
Tenant subsidies		156,185
Development fee		82,900
Other revenue		41
Total revenue		286,672
Expenses:		
Program services-housing		621,858
Supporting services		169,700
Total expenses		791,558
Change in net assets from operations		(504,886)
Syndication costs		(7,224)
Total change in net assets	$	(512,110)

See notes to consolidated financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services		Supporting Services		
	Island City Development	**Housing (a)**	**Island City Development**	**Housing (a)**	**Total**
Administrative					
Manager's salaries	$ -	$ 9,983	$ 8	$ -	$ 9,991
Office expense	-	7,156	8,386	-	15,542
Professional fees - accounting	-	-	23,336	34,541	57,877
Professional fees - legal	-	160	-	-	160
Property management fees	-	7,998	-	-	7,998
Total administrative expenses	-	25,297	31,730	34,541	91,568
Utilities					
Electricity	-	2,305	-	-	2,305
Water and sewer	-	2,648	2,635	-	5,283
Gas	-	122	-	-	122
Total utilities	-	5,075	2,635	-	7,710
Operating and maintenance					
Maintenance salaries	-	9,564	-	-	9,564
Repairs and maintenance	-	3,346	-	-	3,346
Trash removal	-	3,659	-	-	3,659
Total operating and maintenance	-	16,569	-	-	16,569
Taxes and insurance					
Payroll taxes	-	1,773	-	-	1,773
Property and liability insurance	-	3,016	-	-	3,016
Employee benefits	-	2,504	-	-	2,504
State taxes	-	2,437	75	-	2,512
Total taxes and insurance	-	9,730	75	-	9,805
Other expenses					
Depreciation	-	183,946	-	-	183,946
Amortization	-	1,179	-	-	1,179
Advertising and lease-up	-	149,739	-	-	149,739
Interest expense	-	189,969	15,625	-	205,594
Asset Management Fee	-	-	-	2,083	2,083
Development fee - AHA	-	-	82,900	-	82,900
Development consulting	26,105	-	-	-	26,105
Ground lease	-	14,249	-	-	14,249
Organization costs	-	-	-	111	111
Total other expenses	26,105	539,082	98,525	2,194	665,906
Total functional expenses	$ 26,105	$ 595,753	$ 132,965	$ 36,735	$ 791,558

(a) Sherman and Buena Vista, LP and Everett and Eagle, LP

See notes to financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Controlling Interest	Noncontrolling Interest	Total
Balance, December 31, 2017	$ (302,641)	$ 1,113,664	$ 811,023
Syndication costs	-	(7,224)	(7,224)
Net loss	(67,832)	(437,054)	(504,886)
Balance, December 31, 2018	$ (370,473)	$ 669,386	$ 298,913

See notes to consolidated financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECMEBER 31,		2018
Cash flow from operating activities:		
Change in net assets from operations	$	(504,886)
Adjustments to reconcile change in net assets from operations to net cash used in operating activities:		
Depreciation		183,946
Amortization of TCAC fees		1,179
Amortization of debt issuance costs		32,698
Ground lease expense		14,249
Change in operating assets and liabilities:		
Tenant security deposits		(22,924)
Prepaid ground lease		(4,936)
Accrued interest payable		96,667
Accrued asset management fee payable		2,083
Tenant security deposits - liability		22,924
Net cash used in operating activities		(179,000)
Cash flows from investing activities:		
Expenditures for property		(14,131,985)
Expenditures for preacquisition costs		(374,653)
Cash used in investing activities		(14,506,638)
Cash flows from financing activities:		
Proceeds from notes payable		12,365,647
Expenditures for debt issuance costs		(38,457)
Expenditures for deferred costs - TCAC fees		(20,090)
Expenditures for syndication costs		(7,224)
Net cash provided by financing activities		12,299,876
Net change in cash and cash equivalents		(2,385,762)
Cash and cash equivalents at beginning of year		3,110,810
Cash and cash equivalents at end of year	$	725,048
Supplemental disclosure of cash activities:		
Cash paid for interest, net of capitalized interest	$	37,345
Supplemental disclosure of non-cash activities:		
Accrued construction costs	$	2,157,399
Unpaid capitalized interest (including capitalized interest added to principal)	$	560,955

See notes to consolidated financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Island City Development is a California nonprofit public benefit corporation (the Company or ICD) exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Company was formed in 2014 primarily to engage in acquiring, developing, rehabilitating, owning, and managing affordable housing (the Project(s)) for low and moderate-income individuals and families in the City of Alameda, California. In connection with the development of the Projects, the Company, or its affiliates, intend to enter into regulatory agreements with the California Tax Credit Allocation Committee (TCAC), which govern the ownership, occupancy, management, maintenance and operations of the Project.

The Company is a discrete component unit of the City of Alameda Housing Authority (AHA) and its Board of Directors is made up of three directors appointed by the AHA Executive Director.

As of December 31, 2018, the Company's consolidated financial statements include California limited partnerships and single member California limited liability companies (LLC), (the Partnership(s) or the Subsidiary(ies)) organized primarily to acquire, develop/rehabilitate, and manage multi-family affordable housing projects. As of December 31, 2018, the Company, through its Subsidiaries, owns the following Projects:

Partnership Name	Project Name	City, State	Units
Sherman and Buena Vista LP	Littlejohn Commons	Alameda, California	31
Everett and Eagle L.P.	Everett Commons	Alameda, California	20

Allocation of profit and losses of the Partnerships that owns the above projects are allocated as follows:

Company	0.01%
Limited Partner (non-controlling)	99.99%

In addition, the Company has established the following Subsidiaries:

Del Monte Senior LLC
2437 Eagle Avenue LLC
Rosefield LLC
Constitution and Eagle LP

Principles of Consolidation and Accounting for Investments in a Limited Partnership Accounting standards generally accepted in the United States of America establishes the presumption that the general partner(s) in a limited partnership controls that limited partnership (or similar entity) regardless of ownership percentage. The presumption of control by the general partner is overcome when the limited partners have either (a) the substantive ability to dissolve or liquidate the limited partnership or otherwise remove the general partner without cause or (b) substantive participating rights. If the presumption of control cannot be overcome, then the general partner is required to consolidate the limited partnership. As of and for the year ended December 31, 2018, ICD or its wholly owned Subsidiaries, as a controlling general partner, conformed their accounting to this presumption and determined the presumption of control for the limited partnerships had not been overcome.

Due to shared control with other entities, ICD records its investments in limited partnerships for which ICD serves as limited partner under the equity method of accounting. Under the equity method of accounting, ICD records its acquisition of the initial investment at cost and thereafter, records its portion of the entities income or loss on an annual basis. In the event its investment goes negative, based on management's assessments, the recording of further loss may be suspended until profitability returns.

ICD serves as a limited partner in the following limited partnership and records its investment under the equity method of accounting:

Project Name	City, State	Acquisition Date	Units
Stargell Commons	Alameda, California	2015	32*

*The project was placed in service in June 2017 and ICD's investment is $0.

The portion of the equity of the Subsidiaries that is not owned or controlled by ICD is shown as non-controlling interests within net assets without donor restrictions and all material intercompany transactions between consolidated entities have been eliminated.

Method of Accounting These consolidated financial statements, which are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as such, revenues are recognized when earned and expenses are recorded when incurred. In addition, the consolidated financial statements have been prepared to focus on ICD as a whole and to present balances and transactions according to the existence of absence of donor-imposed restrictions. This has been accomplished by the classification of transactions into three classes of net assets as follows:

- Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

- Net assets with donor restrictions represent the part of the net assets of ICD resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources will be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of December 31, 2018, there were no net assets with donor restrictions.

Functional Allocation of Expenses The costs of providing ICD's programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. The functional classifications are defined as follows:

- **Program service** expenses consist of costs incurred in connection with providing housing services.

- **Supporting service** expenses consist of costs incurred in connection with the overall activities of ICD, which are not allocable to another functional expense category.

Income Taxes The Company has received a determination letter from the Internal Revenue Service stating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal income taxes is recorded in the accompanying consolidated financial statements. In addition, the Company does not have any income, which it believes would subject it to unrelated business income taxes. Accordingly, there is no provision for income taxes in the accompanying consolidated financial statements.

Income taxes on limited partnership and limited liability company (LLC) income are included in the tax returns of the partners or members. The federal tax status as a pass-through entity is based on the entity's legal status as a partnership or LLC and is required to file tax returns with the IRS and other taxing authorities.

Accordingly, these consolidated financial statements do not reflect a provision for income taxes. However, the limited partnerships and the LLCs are required to pay an $800 fee to the California Franchise Tax Board. The Organization determined there are no tax positions, which must be considered for disclosure. There are no current tax examinations pending.

Estimates The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial reporting period. Management believes actual results will not differ significantly from those estimates.

Cash and Cash Equivalents For purposes of the consolidated statement of cash flows, the Company considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash equivalents.

Property Property is stated at cost. Upon completion, depreciation expense will be provided primarily using the straight-line method over the following estimated useful lives:

Description	Life
Buildings and improvements	40 years
Land improvements	20 years
Furniture and equipment	5 - 7 years

ICD capitalizes development costs, including interest and insurance until the project is placed in service. Thereafter, ICD capitalizes expenditures or betterments that materially increase asset lives, charging to depreciation expense the estimated net book value of the improvement cost being replaced, and charges ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related reserves are removed from the accounts, and any resulting gain or loss is included in operations.

The Company reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property including the low-income housing tax credits and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, the Company recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment losses were recognized during the year ended December 31, 2018.

Other Receivables Other receivables primarily consists of property tax receivables from the Alameda County Tax Collector. The Company evaluates collectability on a case-by-case basis and provides a reserve when collection is doubtful.

Concentration of Credit and Business Risk The Company's cash and cash equivalents are maintained in various banks. The Company has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. The Company believes that its credit risk is not significant.

ICD, either as a direct owner, advisor or general partner, has an economic interest in the Projects that are subject to business risks associated with the economy and level of unemployment in California, which affects occupancy as well as the tenants' ability to make rental payments. In addition, these Projects operate in a heavily regulated environment and the operations of these Projects will be subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the U.S. Department of Housing and Urban Development (HUD). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Adoption of New Accounting Principle Effective January 1, 2018, the Company adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes, and disclose a summary of the methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and direct expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

2. PREPAID GROUND LEASE

Littlejohn Commons entered into a ground lease agreement with AHA commencing December, 2016 for a period of 99 years. In accordance with the ground lease agreement, $3,410,000 was recorded as a prepaid ground lease with a corresponding ground lease payable, see Note 5. During the term of the lease, the Subsidiary will annually amortize prepaid ground lease of $34,444. As of December 31, 2018, the prepaid ground lease balance was $3,341,112.

Everett Commons entered into a ground lease agreement with AHA commencing June 2017 for a period of 99 years. Prepaid rent for the full lease term (99 years) of $9,900 was paid at lease commencement. The ground lease will begin to amortize in January 2019.

3. PREAQUISITION COSTS

In connection with the Company's development efforts, ICD incurrs preaquisition costs, which are capitalized until management determines the proposed development is not feasable. As of December 31, 2018, preacquisition costs for future Projects of $627,621 has been incurred and is recorded in the accompanying consolidated statement of financial position.

4. DEFERRED COSTS – TCAC FEES AND DEBT ISSUANCE COSTS

Deferred TCAC Costs Deferred TCAC costs consist of fees paid to TCAC that will be be amortized over a 15-year period, beginning in the year the applicable Project is placed in service. As of December 31, 2018, unamortized TCAC costs were $89,717.

Debt Issuance Costs Debt issuance costs of $260,293 net of accumulated amortization as of December 31, 2018 is reported as a direct reduction of the obligation to which such costs relate. While the projects are under development, the amortization of debt issuance costs are capitalized. Thereafter, the amortization is reported as a component of interest expense using a method that approximates the effective interest method.

5. NOTES PAYABLE

		2018
A summary of ICD's financing arrangements as of December 31, 2018 is as follows:		
AHA preacquisition loans Various unsecured promissory notes payable to AHA for the purpose of funding preacquisition efforts with principal amounts ranging from $250,000 to $3,700,000. Interest on the notes shall accrue at a simple rate of 3.00% beginning on July 1, 2016. The notes have various maturity dates ranging from 2022 to 2074.	$	1,550,000
AHA line of credit During 2018, AHA issued $3,400,000 of additional development proceeds to ICD for the development of a project, and evidenced through an unsecured promissory note payable to AHA. As of December 31, 2018, $3,400,000 of the line-of-credit is unused.		-
Total ICD notes payable		1,550,000
A summary of the Subsidiaries' financing arrangements as of December 31, 2018 is as follows:		
Construction loans Notes payable in the aggregate amounts up to $20,181,856, secured by a deed of trust, with interest at LIBOR (ranging from 2.34% to 2.50% as of December 31, 2018), as defined, plus 1.80% to 1.85%, with interest only payments due monthly through December 2018 and March 2019. The construction loans are expected to be paid down to an aggregate amount of $5,882,168, with interest accruing at 5.39% to 5.55%. The permanent loans mature from 2034 to 2039.		17,639,712

	2018
City HOME Loan - residual receipts Notes payable to the City of Alameda in the aggregate amounts up to $349,022, secured by a deed of trust, simple interest accrues at 3.00% with interest and principal payments due annually from Residual Receipts, as defined. All unpaid principal and interest are due from 2073 to 2074.	348,022
AHA Loan – residual receipts Notes payable to AHA, secured by a deed of trust, interest accrues at 2.26% to 2.68%, with interest and principal payments due annually from Residual Receipts, as defined. All unpaid principal and interest are from 2073 to 2074.	7,850,000
Ground lease Ground lease payable to AHA, secured by a deed of trust, interest accrues at 2.26%, with interest and principal payments due annually from Residual Receipts, as defined. All unpaid principal and interest are due in December 2073.	3,410,000
Total Subsidiaries notes payable	29,247,734
Total notes payable	30,797,734
Less: unamortized debt issuance costs	(260,293)
Total notes payable, net	$ 30,537,441

Principal payments on notes payable are required as follows:

Year Ending December 31,	**Amount**
2019 (a)	$ 17,639,712
2020	-
2021	-
2022	250,000
2023	-
Thereafter	12,908,022
	$ 30,797,734

(a) It is anticipated that the construction loans will be paid down in 2019 with limited partner contributions and converted to permanent loans.

6. RELATED PARTY TRANSACTIONS

Consulting Services ICD entered into an agreement with AHA, commencing on April 15, 2015, in which AHA shall provide professional project management services for a term of three years. For these services, ICD will annually compensate AHA $100,000, not to exceed $300,000 in total. The total fees of $300,000 had been charged by AHA as of December 31, 2017, and no fees were charged for the year ended December 31, 2018. In December 2018, the agreement was amended to extend through December 31, 2019.

Developer Fee Payable The Subsidiaries have entered into joint developer fee agreements with ICD and AHA (together referred to as the Developers in the amounts of 90.00% and 10.00%, respectively, or such amount agreed to by the Developers). As of December 31, 2018, the Developers have entered into developer fee agreements in the amounts of $1,675,000. ICD’s portion (90.00%) has been eliminated, net of costs incurred to provide development services, ($82,900 in 2018). As of December 31, 2018, $167,500 of developer fees are payable to AHA.

Due from Affiliates Due from Affiliates are net amounts advanced by ICD to AHA. These advances are unsecured, due on demand and do not accrue interest. As of December 31, 2018, $29,437 is due from AHA.

Limited Partner Fees In connection with the limited partnerships, the limited partners (non-controlling entities) charge an Asset Management Fee for miscellaneous services rendered to the Partnerships.

7. COMMITMENTS

In connection with the development and operations of the Subsidiaries, AHA and the Company, together as Guarantor, made certain guaranties regarding the duties and performance obligations of the Subsidiaries' general partners. These duties include, but are not limited to, ensuring complete development of the Subsidiaries, ensuring tax credit delivery, maintaining the Subsidiaries' compliance with various regulatory agencies, and providing operating deficit guarantees of $314,000 to Everett Commons and $245,668 to Little John Commons. In addition, the Company has entered into cost plus guaranteed maximum construction contracts up to $22,979,664.

8. LIQUIDITY AND AVAILABILITY

The Company's financial assets available to meet cash needs for general expenditures within one year of the date of the statement of financial position include:

Cash	$	725,048
Receivables		255,081
Less: Subsidiaries operating cash due to partnership and lender restrictions		(285,594)
Estimated financial assets available to meet general expenditures within one year		694,535

In addition to the financial assets available in the above table, AHA has committed an additional $3,400,000 of development proceeds to ICD (Note 5).

Regarding the Subsidiaries' liquidity needs, each subsidiary has been established to develop and operate affordable housing. As a result, the Subsidiaries have been structured in such a way to be self-sufficient regarding their liquidity needs. In the event, the subsidiaries have unplanned liquidity needs over and above that which is provided by its operations, they have access to cash reserves, reported as restricted funds, subject to lender and limited partner withdrawal approval, upon conversion to permanent financing. In addition, in the normal course of business, the Subsidiaries under development rely on receiving funds from, non-recourse permanent loan commitments and limited partner capital contributions. In the event, the Subsidiaries are unable to meet their liquidity needs, AHA and the Company as together as Guarantor have provided limited guarantees to fund operating deficits. As of December 31, 2018, ICD's management believes they have sufficient liquidity availability to meets it obligations for the coming year.

9. SUBSEQUENT EVENTS

Management evaluated all activity of the Company through the independent auditor's report date, which is the date that the consolidated financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

SCHEDULE I

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018

ASSETS

	Island City Development	Housing (a)	Pre-Consolidation	Eliminating Entries	Consolidated
Property, at cost:					
Land improvements	$ -	$ 2,170,596	$ 2,170,596	$ -	$ 2,170,596
Building and building improvements	-	27,564,186	27,564,186	(1,427,500)	26,136,686
Furniture and equipment	-	512,067	512,067	-	512,067
	-	30,246,849	30,246,849	(1,427,500)	28,819,349
Accumulated depreciation	-	(183,946)	(183,946)	-	(183,946)
Property	-	30,062,903	30,062,903	(1,427,500)	28,635,403
Cash and cash equivalents	439,454	285,594	725,048	-	725,048
Tenant security deposits	-	22,924	22,924	-	22,924
Developer fee receivable	1,335,000	-	1,335,000	(1,335,000)	-
Other receivable	230,183	24,898	255,081	-	255,081
Due from affiliates	181,509	-	181,509	(152,072)	29,437
Prepaid ground lease and other	-	3,363,574	3,363,574	-	3,363,574
Investment in affiliates	8,333	-	8,333	(8,333)	-
Preacquisition costs	627,621	-	627,621	-	627,621
Deposits - TCAC	-	64,487	64,487	-	64,487
Ground lease costs	-	5,933	5,933	-	5,933
Deferred costs - TCAC fees, net amortization	-	89,717	89,717	-	89,717
Total assets	$ 2,822,100	$ 33,920,030	$ 36,742,130	$ (2,922,905)	$ 33,819,225

(a) Sherman and Buena Vista, LP and Everett and Eagle, LP

See independent auditor's report.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

LIABILITIES AND NET ASSETS

	Island City Development	Housing (a)	Pre-Consolidation	Eliminating Entries	Consolidated
Notes payable, net	$ 1,550,000	$ 28,987,441	$ 30,537,441	$ -	$ 30,537,441
Accounts payable and accrued expenses	6,484	15,015	21,499	-	21,499
Accrued construction and development costs	-	2,157,399	2,157,399	-	2,157,399
Due to affiliates	-	152,072	152,072	(152,072)	-
Accrued Partnership Management Fee payable	-	8,333	8,333	(8,333)	-
Accrued asset management fee payable	-	2,083	2,083	-	2,083
Accrued interest payable	41,250	569,219	610,469	-	610,469
Developer fee payable	167,500	1,335,000	1,502,500	(1,335,000)	167,500
Prepaid rents	-	997	997	-	997
Tenant security deposits	-	22,924	22,924	-	22,924
Total liabilities	1,765,234	33,250,483	35,015,717	(1,495,405)	33,520,312
Net assets					
Net assets without donor restrictions					
Controlling interest	1,056,866	161	1,057,027	(1,427,500)	(370,473)
Noncontrolling interest	-	669,386	669,386	-	669,386
Total net assets	1,056,866	669,547	1,726,413	(1,427,500)	298,913
Total liabilities and net assets	$ 2,822,100	$ 33,920,030	$ 36,742,130	$ (2,922,905)	$ 33,819,225

(a) Sherman and Buena Vista, LP and Everett and Eagle, LP

See independent auditor's report.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

SCHEDULE II

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Island City Development	Housing (a)	Eliminating Entries	Consolidated
Revenue:				
Rental revenue	$ -	$ 47,546	$ -	$ 47,546
Rental revenue - subsidy	-	156,185	-	156,185
Total rental revenue	-	203,731	-	203,731
Development fee revenue	829,000	-	(746,100)	82,900
Other revenue	8,374	-	(8,333)	41
Total other revenue	837,374	-	(754,433)	82,941
Total revenue	837,374	203,731	(754,433)	286,672
Expenses:				
Program services	26,105	595,753	-	621,858
Supporting services	132,965	45,068	(8,333)	169,700
Total operating expenses	159,070	640,821	(8,333)	791,558
Operating loss	678,304	(437,090)	(746,100)	(504,886)
Change in net assets	678,304	(437,090)	(746,100)	(504,886)
Syndication costs-noncontrolling interests	-	(7,224)	-	(7,224)
Total change in net assets	678,304	(444,314)	(746,100)	(512,110)
Net assets, beginning of the year	378,562	1,113,861	(681,400)	811,023
Net assets, end of the year	$ 1,056,866	$ 669,547	$ (1,427,500)	$ 298,913

(a) Sherman and Buena Vista, LP and Everett and Eagle, LP

See independent auditor's report.