Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Oak Center Towers
(a California Nonprofit Public Benefit Corporation)

March 31, 2018 and 2017

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Report of Independent Auditors

To the Board of Directors
Oak Center Towers
(a California Nonprofit Public Benefit Corporation)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Oak Center Towers (a California nonprofit public benefit corporation) (the "Organization"), which comprise the consolidated statements of financial position as of March 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial positions of Oak Center Towers as of March 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Organization’s accompanying consolidating statement of financial position and consolidating statement of activities and changes in net assets as of and for the year ended March 31, 2018, presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of the Organization’s 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 audits 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.

Moss Adams LLP

San Francisco, California
June 28, 2018

Consolidated Financial Statements

Oak Center Towers
(A California Nonprofit Public Benefit Corporation)
Consolidated Statements of Financial Position
March 31, 2018 and 2017

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 142,224	$ 560,678
Cash and cash equivalents - restricted	82,200	82,061
Cash and cash equivalents - investments	2,310,061	2,278,820
Notes receivable - interest	47,568	47,568
Prepaid expenses	97,506	19,129
Inventory	5,792	5,628
Total current assets	2,685,351	2,993,884
TENANT SECURITY DEPOSITS	46,958	44,536
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Operating reserves	834,978	785,447
Replacement reserves	1,243,084	1,101,123
Bond reserves	41,661	60,354
Insurance and tax reserves	109,492	74,962
Restabilization reserves	135,168	135,128
Total restricted deposits and funded reserves	2,364,383	2,157,014
PROPERTY AND EQUIPMENT, at cost		
Land and land improvements	419,565	419,565
Buildings and improvements	16,384,981	15,816,931
Building equipment	973,522	943,021
Computer software	24,936	-
Motor vehicles	33,525	36,980
	17,836,529	17,216,497
Accumulated depreciation	(7,536,957)	(6,872,735)
Total property and equipment, net	10,299,572	10,343,762
OTHER ASSETS		
Other assets, net of accumulated amortization of $64,209 in 2018 and $58,859 in 2017	16,045	21,395
TOTAL ASSETS	$ 15,412,309	$ 15,560,591

See accompanying notes.

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 171,386	$ 106,237
Accrued liabilities	34,305	39,792
Total current liabilities	205,691	146,029
TENANT SECURITY DEPOSITS	46,958	44,536
LONG-TERM LIABILITIES		
Loans payable	2,887,636	2,967,122
Ground lease payable	475,067	735,508
Total long-term liabilities	3,362,703	3,702,630
Total liabilities	3,615,352	3,893,195
NET ASSETS		
Unrestricted net assets		
Noncontrolling interest	2,303,050	2,370,701
Controlling interest	9,412,422	9,215,210
Total unrestricted net assets	11,715,472	11,585,911
Temporarily restricted net assets	81,485	81,485
Total net assets	11,796,957	11,667,396
TOTAL LIABILITIES AND NET ASSETS	$ 15,412,309	$ 15,560,591

Oak Center Towers
(A California Nonprofit Public Benefit Corporation)
Consolidated Statements of Activities and Changes in Net Assets
Years Ended March 31, 2018 and 2017

	2018	2017
UNRESTRICTED REVENUES AND SUPPORT		
Residential rental income, net of vacancy loss of $3,743 in 2018 and $19,622 in 2017	$ 3,212,577	$ 3,117,581
Laundry and vending income	3,223	3,196
Interest reduction revenue	463	193
Interest income	32,964	25,918
Miscellaneous income	188	25,165
Total unrestricted revenues and support	3,249,415	3,172,053
Total unrestricted revenues, support and net assets released from restrictions	3,249,415	3,172,053
EXPENSES		
Program services		
Maintenance	1,204,409	1,147,162
Rental expenses	228,214	228,501
Depreciation and amortization	673,027	638,352
Interest and bond expenses	107,564	108,368
Other program service expenses	293,801	293,682
Supporting services		
General and administrative	612,839	737,946
Total expenses	3,119,854	3,154,011
INCREASE IN UNRESTRICTED NET ASSETS	129,561	18,042
CHANGE IN NET ASSETS	129,561	18,042
BEGINNING NET ASSETS	11,667,396	11,649,354
ENDING NET ASSETS	$ 11,796,957	$ 11,667,396
Reconciliation of net assets		
Noncontrolling interest - unrestricted		
Beginning of year	$ 2,370,701	$ 2,570,114
Noncontrolling interests in limited partnership earnings	(67,651)	(199,413)
End of year	$ 2,303,050	$ 2,370,701
Controlling interest - unrestricted		
Beginning of year	$ 9,215,210	$ 8,997,755
Change in net assets	197,212	217,455
End of year	$ 9,412,422	$ 9,215,210
Controlling interest - temporarily restricted		
Beginning of year	$ 81,485	$ 81,485
End of year	$ 81,485	$ 81,485

See accompanying notes.

Oak Center Towers
(A California Nonprofit Public Benefit Corporation)
Consolidated Statements of Cash Flows
Years Ended March 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Rental receipts	$ 3,195,537	$ 3,117,581
Interest receipts	32,964	26,111
Other operating receipts	3,874	28,361
Total receipts	3,232,375	3,172,053
Administrative	216,115	344,716
Management fee	173,801	173,682
Utilities	504,362	453,123
Salaries and wages	470,806	542,300
Operating and maintenance	630,423	739,653
Lease payments	380,441	-
Real estate taxes	53,583	48,840
Property insurance	59,477	72,131
Miscellaneous taxes and insurance	112,535	115,204
Interest on loans payable	26,990	13,110
Miscellaneous financial	60,060	101,214
Total disbursements	2,688,593	2,603,973
Net cash provided by operating activities	543,782	568,080
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(623,487)	(161,878)
Funding of operating reserves	(49,531)	(49,340)
Funding of replacement reserves	(141,961)	(138,767)
Payment of bond reserves	18,693	33,723
Funding of insurance and tax reserves	(34,530)	(684)
Funding of restabilization reserves	(40)	(33)
Net cash used in investing activities	(830,856)	(316,979)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on loans payable	(100,000)	(100,000)
Net cash used in financing activities	(100,000)	(100,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(387,074)	151,101
CASH AND CASH EQUIVALENTS, beginning of year	2,921,559	2,770,458
CASH AND CASH EQUIVALENTS, end of year	$ 2,534,485	$ 2,921,559
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	$ 142,224	$ 560,678
Cash and cash equivalents - restricted	82,200	82,061
Cash and cash equivalents - investments	2,310,061	2,278,820
End of year	$ 2,534,485	$ 2,921,559

See accompanying notes.

Oak Center Towers
(A California Nonprofit Public Benefit Corporation)
Consolidated Statements of Cash Flows (continued)
Years Ended March 31, 2018 and 2017

	2018	2017
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ 129,561	$ 18,042
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	673,027	638,352
Changes in operating assets and liabilities		
Notes receivable - affiliate	-	10,752
Prepaid expenses	(78,377)	(7,674)
Inventory	(164)	(5,628)
Ground lease payable	(260,441)	(140,245)
Other assets	-	29,917
Accounts payable	65,149	12,535
Accrued liabilities	(5,487)	(8,485)
Loan payable - debt issuance costs	20,514	20,514
Cash provided by operating activities	$ 543,782	$ 568,080
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid for interest	$ 26,990	$ 13,110
Cash paid for franchise taxes	$ 2,203	$ 6,252

See accompanying notes.

NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations – Oak Center Towers, a California nonprofit corporation (the "Organization" or "OCT"), was organized in 1971 under the original sponsorship of Covia Communities ("Communities"), formerly Episcopal Senior Communities, in order to operate a 196-unit affordable residential complex for elderly or disabled persons in Oakland, California (the "Project"), and to provide associated supporting social services at the Project. In June 2005, OCT sold its interest in the Project to Oak Centers, L.P., a California limited partnership ("OCLP"), as part of a low-income housing tax credit refinancing transaction. The purpose of the transaction was to generate funds to perform a substantial rehabilitation of the Project. OCT is the sole general partner of OCLP and owns a .01% interest. OCT provided a capital contribution of $1,200,000 and committed to a long-term loan totaling $3,805,437. Covia Affordable Communities ("Affordable Communities"), formerly Lytton Gardens Senior Communities is the sole member of OCT.

Affiliated organizations – The Organization, through its common member, Affordable Communities, which is a management and fundraising support organization, is affiliated with Community Housing, Inc., which operates Lytton Gardens I and II, Lytton IV Housing Corporation, Presidio Gate Apartments, and Jennings Senior Housing, Inc., all of which are affordable senior housing communities. Through Affordable Communities' common member, Covia Group, formerly Senior Resources of the West, a California nonprofit public benefit corporation, the Organization is also affiliated with Communities, which operates six life plan communities, Covia Foundation, formerly Episcopal Senior Communities Foundation, a fundraising and supporting organization to Communities, and Senior Resources @ Home ("SR@H") which provides unlicensed home care in Sonoma and Marin counties (collectively, the "Affiliates"). All of the Affiliates are California nonprofit public benefit corporations. Some of the Affiliates share common officers, directors, and management and, at times, provide various support services to one another. The Affiliates' financial statements are not included in the accompanying consolidated financial statements of the Organization.

Basis of presentation – The accompanying consolidated financial statements include the accounts of OCT and OCLP. OCLP is included in the consolidation in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810-20, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*. OCT determined that the presumption of control for the limited partnership, in which OCT is the general partner, had not been overcome and as a result, OCT is required to consolidate the financial statements of the limited partnership. All significant inter-company balances and transactions have been eliminated. OCLP's year end is December 31, and its balances and activity have been included as of and for the years ended December 31, 2017 and 2016.

Cash and cash equivalents – Cash and cash equivalents includes cash on hand and cash held in demand deposit, sweep, savings accounts, and certain investments in highly liquid instruments with original maturities of three months or less. Not included in cash are funds restricted as to their use, regardless of their liquidity, such as security deposits and operating and replacement reserves.

Concentration of risk – Financial instruments potentially subjecting the Organization to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation limits.

Accounts receivables – The Organization receives payment from residents and U.S. Department of Housing and Urban Development ("HUD") for services provided. The Organization uses the specific write-off method to provide for doubtful accounts since past experience and management's estimation indicates an adequate allowance for such accounts is immaterial.

Restricted deposits and funded reserves – Assets whose use is limited are funded reserves for operating, replacement, bond, and insurance of the Organization. Such assets consist of cash and cash equivalents.

Property and equipment – Property and equipment are stated at cost. Acquisitions of $5,000 or more and with a useful life of more than one year are capitalized. Depreciation is based upon straight-line method at rates based on the estimated useful lives of the various classes of property which range from 3 to 40 years. The Organization periodically evaluates the carrying value of its long-lived assets for impairment. Based on this evaluation, no impairment was recorded for the years ended March 31, 2018 and 2017.

Tenant security deposits – In accordance with government regulations for the Organization, the Organization must maintain on deposit funds equal to the related liability for tenant security deposits. Security deposits are held in a separate interest-bearing savings account in the name of the Project.

Net assets – The Organization classifies net assets as follows:

Unrestricted net assets represent unrestricted resources available to support the Organization's operations and temporarily restricted resources which have become available for use by the Organization in accordance with the intention of the donor.

Temporarily restricted net assets represent contributions that are limited in use by the Organization in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Organization according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. Temporarily restricted net assets are available primarily for assistance and capital projects as designated by the donors.

Permanently restricted net assets represent net assets subject to donor-imposed stipulations that they be maintained by the Organization in perpetuity. At March 31, 2018 and 2017, the Organization had no permanently restricted net assets.

Program services – The Organization is the general partner of OCLP and provides management oversight. OCLP operates an affordable residential complex for elderly or disabled persons in Oakland, California, and provides transportation for residents, a nutrition program, supportive social services, and education programs at the Project.

Fair value of measurements – FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, prescribes fair value measurements and disclosures for financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements. FASB ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Unless otherwise indicated, the fair value of all reported assets and liabilities that represent financial instruments approximate their carrying values.

Revenue recognition – Rental income is shown at its maximum gross potential. Rental income is derived from rental rates subject to HUD approval. 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. Other income includes fees for late payments, cleaning, damages, laundry facilities, and other charges and is recorded when earned.

Tax-exempt status – The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

The Organization adopted the provisions of the FASB ASC Topic 740-10, *Income Taxes,* relating to accounting for uncertain tax positions on April 1, 2009, which had no financial statement impact to the Organization. The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Organization recognizes interest and penalties related to income tax matters in operating expenses.

In regards to OCLP, no provision has been made for income taxes, except for the $800 minimum franchise tax required by California for limited partnerships that is included in accounts payable in the accompanying statements of operations, since the income or loss of the Partnership is to be included in the tax returns of the individual partners. Income for financial statement purposes differs from that which is allocated to the partners primarily because of book to tax depreciation and amortization differences.

Property taxes – The Organization has filed and received an exemption from certain property taxes in accordance with Section 214 of the California Code.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Economic concentrations – The future operations of the Organization could be affected by changes in the economic or other conditions in the geographic area of Oakland, California, or by changes in federal low-income housing subsidies or the demand for such housing.

NOTE 2 – RESTRICTED DEPOSITS AND FUNDED RESERVES

Operating reserves – OCLP is required to maintain two operating reserve funds.

Pursuant to the Partnership Agreement, on November 15, 2007, OCT funded an interest-bearing operating reserve account in the amount of $334,555. The operating reserve funds shall be maintained throughout the term of OCLP. Any withdrawal from the operating reserve must be approved by the Limited Partner.

Pursuant to the terms of the Reimbursement Agreement for California Statewide Communities Development Authority (“CSCDA”) Variable Rate Demand Multifamily Housing Revenue Bonds 2005 Series (the “Revenue Bonds 2005 Series”), OCLP is required to make monthly deposits to a separate operating reserve account beginning November 15, 2007, (the date of conversion of the Permanent Financing Phase). Monthly payments are determined by the Loan Servicer based on six months of debt service coverage on the loan and shall be adjusted annually.

During the years ended March 31, 2018 and 2017, transactions affecting the operating reserves were as follows:

	2018	2017
Beginning balance at April 1,	$ 785,447	$ 736,107
Monthly deposits	49,000	49,000
Bank interest, net of bank fees	531	340
Ending balance at March 31,	$ 834,978	$ 785,447

Replacement reserves – OCLP is required to maintain two replacement reserve accounts.

Under the Partnership Agreement, OCLP is required to make monthly deposits to a replacement reserve account starting November 1, 2006 for use in funding future and replacement costs. Monthly payments are required based upon an initial amount of $350 per unit per year, adjusted annually at the rate of 3%. Disbursements from this account greater than $10,000 must be approved by the Limited Partner.

Pursuant to the terms of the Reimbursement Agreement for the Revenue Bonds 2005 Series, OCLP is required to make monthly deposits to a separate replacement reserve account beginning November 15, 2007 (the date of conversion of the Permanent Financing Phase). Monthly payments are required in the amount of $4,083, calculated at $250 per unit per year. Disbursements from this account must be approved in advance by the lender.

During the years ended March 31, 2018 and 2017, transactions affecting the replacement reserves were as follows:

	2018	2017
Beginning balance at April 1,	$ 1,101,123	$ 962,356
Monthly deposits	140,722	138,051
Bank interest, net of bank fees	1,239	716
Ending balance at March 31,	$ 1,243,084	$ 1,101,123

Bond reserves – Pursuant to the Reimbursement Agreement commencing on November 15, 2007, OCLP is required to make monthly payments for deposit into principal reserve and escrow accounts to pay for issuer fees, trustee fees, remarketing fees, and the loan servicing fees. These accounts are maintained in accounts held by the Trustee and the Loan Servicer until the fees are paid. As of March 31, 2018 and 2017, OCLP had a balance of $41,661 and $60,354, respectively, in the bond reserves account.

Insurance and tax reserves – OCLP is required to maintain two insurance reserve accounts and a tax reserve account.

Pursuant to the Partnership Agreement on November 15, 2007, OCT funded an interest-bearing insurance reserve account in the amount of $40,000. The insurance reserve shall be maintained throughout the term OCLP. Upon termination and winding up of the Partnership, amounts in the insurance reserve shall be utilized as approved by the Limited Partner.

Pursuant to the terms of the Reimbursement Agreement for the Revenue Bonds 2005 Series, OCLP is required to make monthly deposits to a separate insurance reserve account beginning November 15, 2007 (the date of conversion of the Permanent Financing Phase).

As of March 31, 2018 and 2017, OCLP had a balance of $109,492 and $74,962, respectively, in the insurance and tax reserves account.

Restabilization reserves – Pursuant to the Reimbursement Agreement on November 15, 2007, OCLP funded an interest-bearing restabilization reserve account in the amount of $133,298 in order to mitigate the risk associated with termination or delay in renewal or funding of the Housing Assistance Payments (the “HAP”) Program Contract and to act as a debt service reserve fund. Any disbursement from this account must have prior approval from the lender. As of March 31, 2018 and 2017, OCLP had a balance of $135,168 and $135,128, respectively, in the restabilization reserves account.

NOTE 3 – OTHER ASSETS

Other assets are amortized over their estimated useful lives. Other assets as of March 31, 2018 and 2017, consisted of the following:

Tax credit fees – OCLP incurred fees totaling $80,254 to apply for and ultimately obtain a final reservation of low-income housing tax credits. The credits are amortized over the fifteen-year credit period. Amortization expense for the years ended March 31, 2018 and 2017 was $5,350.

	2018	2017
Total other assets	$ 80,254	$ 80,254
Accumulated amortization	(64,209)	(58,859)
Other assets - net	$ 16,045	$ 21,395

Estimated annual amortization expense at March 31,

2019	$ 5,351
2020	5,351
2021	5,343
	$ 16,045

NOTE 4 – LOANS PAYABLE

OCLP has received permanent financing as follows:

	2018	2017
California Statewide Communities Development Authority Variable Rate Demand Multifamily Housing Revenue Bonds 2005 Series L, dated June 1, 2005, in the original amount of $11,450,000 which was reduced to $3,820,000 on November 15, 2007. Bonds bear a variable rate of interest determined weekly by the remarketing agent, payable monthly, and mature on December 15, 2037, secured by the borrower's leasehold interest in land and ownership of improvements. Interest rates at March 31, 2018 and 2017, were 1.65% and .050%, respectively.	$ 3,220,000	$ 3,320,000
	3,220,000	3,320,000
Net unamortized cost of issuance	(332,364)	(352,878)
Total loans payable, net	$ 2,887,636	$ 2,967,122

Scheduled maturities for the above loans payable are as follows:

Year Ending March 31,	
2019	$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	3,220,000
	$ 3,220,000

NOTE 5 – INTEREST EXPENSE

Interest expense for the years ended March 31, 2018 and 2017, consisted of the following:

	2018	**2017**
CSCDA Variable Rate Demand Multifamily Housing Revenue Bonds 2005 Series L	$ 47,504	$ 13,110
Total interest expense	$ 47,504	$ 13,110

NOTE 6 – GROUND LEASE

On June 1, 2005, OCLP entered into a ground lease agreement with OCT. The term is for ninety-nine (99) years effective June 1, 2005, and terminates on May 31, 2104. OCT has assigned the ground lease to Covia. Basic annual rent is $120,000 per year, payable solely from surplus cash. Unpaid rents shall accrue without interest until paid in full; and, OCLP shall maintain certain amounts of insurance for personal injury and property damage under the lease agreement. During 2018, OCLP made payments of $380,441 for the ground lease. As of March 31, 2018 and 2017, the ground lease payable was $475,067 and $735,508, respectively.

NOTE 7 – HOUSING ASSISTANCE PAYMENTS PROGRAM CONTRACT

The Project has entered into a Section 8 HAP Program Contract with HUD for 196 units. The current contract is effective July 1, 2005 to June 30, 2025.

NOTE 8 – RELATED PARTY TRANSACTIONS

Developer fee – OCLP has entered into a development agreement with Communities. The agreement provided for developer fee and overhead in the amount of $1,835,799 for services in connection with the development of the Project and supervision of construction. Of this amount, $1,000,000 is deferred, noninterest bearing, and payable from capital contributions and surplus cash, and as of December 31, 2008, $835,799 was paid from capital contribution. There were no payables outstanding as of March 31, 2018 and 2017.

Investor service fee – Pursuant to the Investor Services Agreement, OCLP pays Enterprise Social Investment Corporation ("ESIC") an annual investor service fee of $3,000. For each year after 2005, the fee increases at the rate of three percent (3%) per year. The investor service fee shall be paid from available cash flow. If cash flow is not sufficient to pay the fee provided, then any unpaid fees shall accumulate and shall be payable out of the next available cash flow or capital proceeds; provided, however, that no amount of such investor services fee shall be deducted as an expense by OCLP until such amount is actually paid. There were no payables outstanding as of March 31, 2018 and 2017.

Ground lease – See Note 6.

Property management fee – OCLP together with its affiliated organizations (see Note 1) entered into a Memo of Understanding with Communities on April 1, 2008, whereas Communities assigned Affordable Communities to provide certain administrative, accounting, fundraising, and other general management services and the employment of personnel on a shared basis. OCLP incurred $169,650 of shared property management fees per year during the years ended March 31, 2018 and 2017.

These and other transactions resulted in accounts payable of $475,067 and $735,508 to related parties for the years ended March 31, 2018 and 2017, respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Low-income housing tax credits – The Project has been allocated low-income housing tax credits under Section 42 of the Internal Revenue Code. Provisions under Section 42 require that the Project remains low-income for fifteen years.

Operating deficit guaranty – Communities, as guarantor, will advance funds to OCT in an amount necessary for OCT to make the required – Operating Deficit Contribution when such Operating Deficit cannot be satisfied from OCLP funds including OCLP's Operating Reserve and OCT does not have sufficient funds to make an Operating Deficit Contribution to OCLP. The advances shall be interest free and payable out of Capital proceeds. The operating deficit period begins after the completion date and ends on the date the following have occurred: (1) the Project has operated at break-even for at least three consecutive calendar years following the Stabilization date of the Project; and (2) the balance in the Operating Reserve equals or exceeds the Operating Reserve Amount. As of March 31, 2018 and 2017, no advances have been made under the agreement.

HUD regulations – In connection with the HUD agreements, there are certain restrictions on occupancy of the units which include maximum income limitations and maximum rents chargeable. In addition, these agreements require the maintenance of security deposits and replacement and other reserves which are to be held by the mortgagee (see Notes 1 and 2).

Litigation – The Organization is aware of certain asserted and unasserted legal claims. While the outcome cannot be determined at this time, it is management's opinion that the liability, if any, from these actions will not have a material adverse effect on the Organization's financial position.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before consolidated financial statements are available to be issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated financial position but arose after the consolidated statement of financial position date and before consolidated financial statements are available to be issued.

The Organization has evaluated subsequent events through June 28, 2018, which is the date the consolidated financial statements are available to be issued.

Supplementary Information

Oak Center Towers
(A California Nonprofit Public Benefit Corporation)
Consolidating Statement of Financial Position
March 31, 2018 (with Summarized Comparative Totals for March 31, 2017)

	OCT	OCLP	Eliminating	2018	2017
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 10,393	$ 131,831	$ -	$ 142,224	$ 560,678
Cash and cash equivalents - restricted	82,200	-	-	82,200	82,061
Cash and cash equivalents - investments	2,310,061	-	-	2,310,061	2,278,820
Notes receivable - affiliates	3,805,437	-	(3,805,437)	-	-
Notes receivable - interest	1,977,166	-	(1,929,598)	47,568	47,568
Prepaid expenses	-	97,506	-	97,506	19,129
Inventory	-	5,792	-	5,792	5,628
Total current assets	8,185,257	235,129	(5,735,035)	2,685,351	2,993,884
TENANT SECURITY DEPOSITS	-	46,958	-	46,958	44,536
RESTRICTED DEPOSITS AND FUNDED RESERVES					
Operating reserves	-	834,978	-	834,978	785,447
Replacement reserves	-	1,243,084	-	1,243,084	1,101,123
Bond reserves	-	41,661	-	41,661	60,354
Insurance and tax reserves	-	109,492	-	109,492	74,962
Restabilization reserves	-	135,168	-	135,168	135,128
Total restricted deposits and funded reserves	-	2,364,383	-	2,364,383	2,157,014
PROPERTY AND EQUIPMENT, at cost					
Land and land improvements	109,029	310,536	-	419,565	419,565
Buildings and improvements	-	16,384,981	-	16,384,981	15,816,931
Buildings equipment	-	973,522	-	973,522	943,021
Computer Software	-	24,936	-	24,936	-
Motor vehicles	-	33,525	-	33,525	36,980
	109,029	17,727,500	-	17,836,529	17,216,497
Accumulated depreciation	-	(7,536,957)	-	(7,536,957)	(6,872,735)
Total property and equipment, net	109,029	10,190,543	-	10,299,572	10,343,762
OTHER ASSETS					
Other assets, net of accumulated amortization of $64,209 in 2018 and $58,859 in 2017	-	16,045	-	16,045	21,395
Investment in Oak Centers, L.P.	1,199,951	-	(1,199,951)	-	-
TOTAL ASSETS	$ 9,494,237	$ 12,853,058	$ (6,934,986)	$ 15,412,309	$ 15,560,591

Oak Center Towers
(A California Nonprofit Public Benefit Corporation)
Consolidating Statement of Financial Position (continued)
March 31, 2018 (with Summarized Comparative Totals for March 31, 2017)

LIABILITIES AND NET ASSETS	OCT	OCLP	Eliminating	2018	2017
CURRENT LIABILITIES					
Accounts payable	$ -	$ 171,386	$ -	$ 171,386	$ 106,237
Accrued liabilities	-	34,305	-	34,305	39,792
Total current liabilities	-	205,691	-	205,691	146,029
TENANT SECURITY DEPOSITS	-	46,958	-	46,958	44,536
LONG-TERM LIABILITIES, NET OF CURRENT PORTION:					
Loans payable	-	6,693,073	(3,805,437)	2,887,636	2,967,122
Accrued interest payable	-	1,929,598	(1,929,598)	-	-
Ground lease payable	-	475,067	-	475,067	735,508
Total long-term liabilities, net of current portion	-	9,097,738	(5,735,035)	3,362,703	3,702,630
Total liabilities	-	9,350,387	(5,735,035)	3,615,352	3,893,195
NET ASSETS					
Unrestricted net assets					
Noncontrolling interest	-	2,303,050	-	2,303,050	2,370,701
Controlling interest	9,412,752	1,199,621	(1,199,951)	9,412,422	9,215,210
Total unrestricted net assets	9,412,752	3,502,671	(1,199,951)	11,715,472	11,585,911
Temporarily restricted net assets	81,485	-	-	81,485	81,485
Total net assets	9,494,237	3,502,671	(1,199,951)	11,796,957	11,667,396
TOTAL LIABILITIES AND NET ASSETS	$ 9,494,237	$ 12,853,058	$ (6,934,986)	$ 15,412,309	$ 15,560,591

Oak Center Towers
(A California Nonprofit Public Benefit Corporation)
Consolidating Statement of Activities and Changes in Net Assets
Year Ended March 31, 2018 (with Summarized Comparative Totals for the Year Ended March 31, 2017)

	OCT	OCLP	Eliminating	2018	2017
UNRESTRICTED REVENUES AND SUPPORT					
Residential rental income, net of vacancy loss of $3,743 in 2018 and $19,622 in 2017	$ 2,484,433	$ 3,212,577	$ (2,484,433)	$ 3,212,577	$ 3,117,581
Laundry and vending income	-	3,223	-	3,223	3,196
Interest reduction revenue	-	463	-	463	193
Interest income	221,465	1,771	(190,272)	32,964	25,918
Miscellaneous revenue	188	-	-	188	25,165
Total unrestricted revenue and support	2,706,086	3,218,034	(2,674,705)	3,249,415	3,172,053
Total unrestricted revenues, support and net assets released from restrictions	2,706,086	3,218,034	(2,674,705)	3,249,415	3,172,053
EXPENSES					
Program services					
Maintenance	-	1,204,409	-	1,204,409	1,147,162
Rental expenses	-	228,214	-	228,214	228,501
Depreciation and amortization	-	673,027	-	673,027	638,352
Interest and bond expenses	-	297,836	(190,272)	107,564	108,368
Other program service expenses	2,484,433	293,801	(2,484,433)	293,801	293,682
Supporting services					
General and administrative	24,111	588,728	-	612,839	737,946
Total expenses	2,508,544	3,286,015	(2,674,705)	3,119,854	3,154,011
CHANGE IN UNRESTRICTED NET ASSETS	197,542	(67,981)	-	129,561	18,042
CHANGE IN NET ASSETS	197,542	(67,981)	-	129,561	18,042
BEGINNING NET ASSETS	9,296,695	3,570,652	(1,199,951)	11,667,396	11,649,354
ENDING NET ASSETS	$ 9,494,237	$ 3,502,671	$ (1,199,951)	$ 11,796,957	$ 11,667,396