AUGUSTA HOMES

(A NON-PROFIT ORGANIZATION)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2017

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O&S
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Augusta Homes

We have audited the accompanying consolidated financial statements of Augusta Homes (a California non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Augusta Homes as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules, listed in the accompanying table of contents, are presented for purposes of additional analysis and are not required parts 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.

Onusko & Schulz, LLP

Long Beach, California
June 28, 2018

AUGUSTA HOMES
(A NON-PROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS	
Current Assets	
Cash	$ 2,645,122
Accounts receivable	132,687
Cash and cash equivalents with fiscal agent	6,655,097
Prepaid expenses	17,414
Total Current Assets	9,450,320
Non-Current Assets	
Property and equipment, net	41,841,246
Investments with fiscal agent	1,010,960
Other deposits	549
Total Non-Current Assets	42,852,755
TOTAL ASSETS	$ 52,303,075
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	$ 60,599
Accrued liabilities	48,766
Deferred revenue	18,993
Current portion of accrued interest	424,361
Security deposits	71,120
Current portion of notes payable	845,000
Total Current Liabilities	1,468,839
Non-Current Liabilities	
Notes payable, net of current portion- principal amount	44,273,971
Less unamortized discount and debt issuance costs	(1,564,875)
Notes payable less unamortized discount and debt issuance costs	42,709,096
Accrued interest, net of current portion	232,186
Total Non-Current Liabilities	42,941,282
Total Liabilities	44,410,121
Net Assets	
Unrestricted	7,892,954
Total Net Assets	7,892,954
TOTAL LIABILITIES AND NET ASSETS	$ 52,303,075

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

AUGUSTA HOMES
(A NON-PROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

REVENUE	
Rental income	$ 6,285,251
Utilities	1,336,369
Tenant services and misc.	92,745
Non-operating management fees	200,568
Interest	57,406
TOTAL REVENUE	7,972,339
EXPENSES	
Program Services	
Administrative (property and asset management services and other)	1,171,842
Utilities	1,292,769
Operating and maintenance	404,909
Taxes, insurance, and licenses	158,384
Interest	2,302,078
Depreciation	408,463
Total Program Services	5,738,445
Corporate Administration	
Professional services	912,509
Other expenses	364,116
Total Corporate Administration	1,276,625
TOTAL EXPENSES	7,015,070
INCREASE IN UNRESTRICTED NET ASSETS	957,269
BEGINNING UNRESTRICTED NET ASSETS	6,935,685
ENDING UNRESTRICTED NET ASSETS	$ 7,892,954

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

AUGUSTA HOMES
(A NON-PROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in unrestricted net assets	$ 957,269
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	408,463
Amortization of debt issuance costs	128,012
Gain on sale of assets	(1,123)
(Increase) decrease in:	
Accounts receivable	(48,432)
Advances	700
Prepaid expenses	(1,187)
Increase (decrease) in:	
Accounts payable	(90,676)
Accrued liabilities	13,539
Deferred revenue	(105,421)
Accrued interest	47,443
Security deposits	(29,412)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,279,175
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of capital assets	41,110
Purchase of capital assets	(403,095)
NET CASH USED BY INVESTING ACTIVITIES	(361,985)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments of notes payable	(809,281)
NET CASH USED BY FINANCING ACTIVITIES	(809,281)
INCREASE IN CASH AND CASH EQUIVALENTS	107,909
BEGINNING CASH AND CASH EQUIVALENTS	9,192,310
ENDING CASH AND CASH EQUIVALENTS	$ 9,300,219
RECONCILIATION TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
Cash	$ 2,645,122
Cash and cash equivalents with fiscal agent	6,655,097
TOTAL CASH AND CASH EQUIVALENTS	$ 9,300,219

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business
Augusta Homes is a non-profit public benefit corporation organized in February of 1999 to assist governmental entities in providing and maintaining affordable housing projects through the acquisition and operation of mobile home parks located in California. Augusta Homes' mission is to acquire, rehabilitate and operate mobile home parks for the benefit of very low and low income persons in need of affordable, decent, safe and sanitary housing.

In July of 2011, Villa Del Arroyo Moorpark, LLC (VDAM LLC) was created. Augusta Homes is the sole member of VDAM LLC. VDAM LLC holds two projects: Villa Del Arroyo Mobile Home Park and Mooney Grove Mobile Home Park.

In August of 2012, Augusta Communities LLC (AC LLC) was created. Augusta Homes is the sole member of AC LLC. AC LLC holds four projects: Hacienda Mobile Home Park, Monterey Manor Mobile Home Park, Valley View Mobile Home Park, and Villa Montclair Mobile Home Park.

The primary sources of revenue are rental income, utilities, and other tenant services.

Principles of Consolidation
The consolidated financial statements include the accounts of Augusta Homes, AC LLC, and VDAM LLC. Collectively the entities are referred to as "the Organization" or "the Organizations" throughout these notes. Significant intra-entity accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation
The Organization reports information regarding its financial position and activities according to classes of net assets. Unrestricted net assets have no donor restrictions and may be used for any purpose consistent with the Organization's mission. As of December 31, 2017 all of the Organization's net assets are unrestricted.

Method of Accounting
The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Organization considers all unrestricted cash and highly liquid debt investments with an original maturity of 90 days or less to be cash.

Cash and Investments Held with Fiscal Agent
A portion of the Organization's funds is held by the Trustee retained by the City of Moorpark, California and by the Independent Cities Finance Authority, Lancaster, California. These funds have been invested in interest bearing money market accounts and long-term guaranteed investment contracts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue
The Organization recognizes rental payments from tenants received for the next month of services as deferred revenue.

Management 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 assumptions and estimates.

Income Taxes
The Organization is exempt from Federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been recorded in the financial statements. The Organization annually files Form 990, 199, and RRF-1 with the appropriate agencies. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a).

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

The Organization's Federal informational tax returns for the years ended December 31, 2015, 2016, and 2017 are open to audit by the Federal authorities. California State informational returns for the years ended December 31, 2014, 2015, 2016, and 2017 are open to audit by State authorities.

Property and Equipment
Property and equipment are recorded at cost. Property consists primarily of land, community buildings, onsite manager residences, recreation facilities, and utility connections. Depreciation expense is calculated on the straight-line method over the following estimated useful lives:

	Years
Furniture and equipment	5-10
Playground	10
Park manager residences	15
Rental units	27.5
Buildings and improvements	30
Street and sidewalk improvements	30
Land improvements	30

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)
Repairs and maintenance, which do not extend the useful lives of the assets, are charged to operations when incurred. Expenditures for furniture and equipment, playground, employee homes, park owned homes, buildings and improvements, street and sidewalk improvements, and land improvements that exceed $3,000 are capitalized. When equipment is sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in income.

Loan Costs
Loan costs are amortized using the straight-line method over 30 and 35 years (based on the term of the notes/bonds).

Concentration of Credit Risk
The Organization's cash and cash equivalents are maintained in various banks and financial institutions. The Organization has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance (FDIC) up to $250,000. At times, the Organization maintains cash balances in excess of the federally insured amounts.

Fair Value of Financial Instruments
The Organization determines the fair market values of certain financial instruments based on the 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.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in 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. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Organization used quoted market prices to determine fair value of the money market investments and contract values as provided by the counterparty to estimate fair value of the guaranteed investment contracts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements
Effective for the year ended December 31, 2017, the Organization has adopted FASB Accounting Standards Update 2015-03, Simplifying the Presentation of Debt Issuance Costs. Under these provisions, the Organization is required to report debt issuance costs as a direct reduction of the underlying debt and report the amortization of the debt issuance costs as a component of interest expense.

NOTE 2 – PROPERTY AND EQUIPMENT

The acquisition and rehabilitation of the projects were financed with notes and bonds payable from the Independent Cities Financing Authority, the City of Moorpark, California and the City of Montclair Housing Authority as described in Note 5.

Property and equipment at December 31, 2017 consisted of the following:

	Balance at January 1, 2017	Additions (Subtractions)	Balance at December 31, 2017
Land	$ 34,900,830	$ -	$ 34,900,830
Buildings and improvements	8,853,131	76,666	8,929,797
Furniture and equipment	788,760	12,442	801,202
Land improvements	962,612	19,141	981,753
Street and sidewalk improvements	759,000	35,680	794,680
Playground	63,237	-	63,237
Park manager residences	226,918	24,556	251,474
Sewer system	48,219	-	48,219
Electric system	16,570	-	16,570
Gas system	21,621	-	21,621
Pool improvements	143,341	-	143,341
Automobiles and trucks	24,689	-	24,689
Street lights	64,356	-	64,356
Construction in progress	38,605	39,847	78,452
Rental Units	201,451	154,776	356,227
Total property and equipment	47,113,340	363,108	47,476,448
Buildings and improvements	(3,798,290)	(301,055)	(4,099,345)
Furniture and equipment	(736,377)	(8,877)	(745,254)
Land improvements	(238,055)	(59,506)	(297,561)
Street and sidewalk improvements	(157,845)	-	(157,845)
Playground	(57,648)	(308)	(57,956)
Park manager residences	(157,486)	(11,905)	(169,391)
Sewer system	(9,877)	(1,608)	(11,485)
Electric system	(1,930)	(552)	(2,482)
Gas system	(11,289)	(720)	(12,009)
Pool improvements	(29,786)	(8,338)	(38,124)
Automobiles and trucks	(13,671)	(3,206)	(16,877)
Street lights	(4,144)	(2,146)	(6,290)
Rental Units	(10,341)	(10,242)	(20,583)
Total accumulated depreciation	(5,226,739)	(408,463)	(5,635,202)
Net property and equipment	$ 41,886,601	$ (45,355)	$ 41,841,246

NOTE 2 – PROPERTY AND EQUIPMENT (continued)

Depreciation expense for the year ended December 31, 2017 was $408,463.

NOTE 3 – CASH AND INVESTMENTS WITH FISCAL AGENT

At December 31, 2017, funds held by the Trustee in designated funds are reflected as cash and investments with fiscal agent in the accompanying consolidated statement of financial position which represents a portion of the proceeds from the notes payable. Funds may be withdrawn according to provisions contained in the loan and indenture section of the trust agreements.

The investments are shown at fair value as estimated by the Trustee. The Organization uses fair value measurements to record fair value adjustment to certain assets and liabilities and to determine fair value disclosures. For more information on how the Organization me
asures fair value, refer to Note 1.

	Fair Value
First American Treasury Obligations Fund (Level 1)	$ 6,655,097
Guaranteed Investment Contract Natixis Funding Corporation (interest rate of 3.17%, maturity date of May 15, 2041) (Level 3)	1,010,960
	$ 7,666,057

The Organization records cash and investments with fiscal agent at fair value on a recurring basis. The following table presents changes in the Organization's Level 3 investment assets measured at fair value on a recurring basis for the year ending December 31, 2017. The Organization did not have any liabilities measured at fair value on a recurring basis as of December 31, 2017.

Level 3 Assets:	
Balance, Beginning of Year	$ 1,010,960
Interest income	33,468
Sales and transfers	(33,468)
Balance, End of Year	$ 1,010,960

There were no gains or losses for the year ended December 31, 2017 included in changes in net assets attributable to the changes in unrealized gains or losses relating to assets held at the end of the reporting period.

Investment return on Guaranteed Investment Contract investments is summarized as follows:

Interest	$ 33,468
Total investment income	$ 33,468

NOTE 4 – NOTES PAYABLE

Notes payable consisted of the following as of December 31, 2017:

	Principal	Unamortized Discount and Debt Issuance Costs	Total
Independent Cities Finance Authority Mobile Home Park Revenue Refunding Bonds Series 2012A & 2012B (AC Mobile Home Park Pool)	$ 18,910,000	$ (362,169)	$ 18,547,831
City of Moorpark Mobile Home Park Revenue Refunding Bonds (Villa Del Arroyo Series 2011 A & B)	12,005,000	(601,541)	11,403,359
Independent Cities Finance Authority Mobile Home Park Revenue Bonds Series 2016A & 2016B (Mooney Grove Mobile Manor)	11,520,000	(601,165)	10,918,835
Note payable to the Independent Cities Finance Authority (Valley View)	81,524	-	81,524
Note payable to the City of Montclair Housing Authority (Villa Montclair)	350,910	-	350,910
Note payable to the City of Montclair Housing Authority (Monterey Manor)	790,332	-	790,332
Note payable to the City of Montclair Housing Authority (Hacienda)	1,461,205	-	1,461,205
Total notes payable	45,118,971	(1,564,875)	43,554,096
Less current portion	(845,000)	-	(845,000)
Notes payable, net of current portion and unamortized discount and debt issuance costs	$ 44,273,971	$ (1,564,875)	$ 42,709,096

The aggregate maturities of the notes payable are as follows:

Year Ending December 31,	
2018	$ 845,000
2019	879,456
2020	909,545
2021	954,637
2022	944,731
Thereafter	40,585,602
Total Principal	45,118,971
Unamortized Discount and Debt Issuance Costs	(1,564,875)
Total Notes Payable Less Unamortized Discount and Debt Issuance Costs	$43,554,096

NOTE 4 – NOTES PAYABLE (continued)

The Organization has a mortgage note payable obligated to the Independent Cities Finance Authority (ICFA) in connection with receiving the proceeds from the issuance of Series 2012A and Series 2012B Mobile Home Park Revenue Refunding Bonds in the original amounts of $20,125,000 and $785,000, respectively, for the purposes of refunding bonds associated with four properties (Hacienda, Valley View, Monterey Manor, and Villa Montclair). The bonds are collateralized by the properties and a first lien on the rental income. The bonds mature in 35 annual installments beginning May 2013, and interest is payable in semi-annual installments commencing November 2012. Interest rates range from 1.00% to 5.00% on Series A and 5.75% on Series B. The agreement contains various bond and regulatory covenants. The unamortized discount and debt issuance costs as of December 31, 2017 are $362,169.

The note payable to the Independent Cities Finance Authority matures as follows:

Year Ending December 31,	
2018	$ 395,000
2019	410,000
2020	420,000
2021	440,000
2022	460,000
Thereafter	16,785,000
Total	$18,910,000

The Organization has a mortgage note payable obligated to the City of Moorpark in connection with receiving the proceeds from the issuance of Series 2011A and Series 2011B Mobile Home Park Revenue Refunding Bonds in the original amounts of $13,085,000 and $375,000, respectively, for the purposes of refunding bonds associated with the Villa Del Arroyo property. The bonds are collateralized by the property and a first lien on the rental income. The bonds mature in 30 annual installments beginning May 2011, and interest is payable in semi-annual installments commencing November 2011. Interest rates range from 4.90% to 6.75% on Series A and 7.375% on Series B. The agreement contains various bond and regulatory covenants. The unamortized discount and debt issuance costs as of December 31, 2017 are $601,541.

The note payable to the City of Moorpark matures as follows:

Year Ending December 31,	
2018	$ 280,000
2019	295,000
2020	310,000
2021	330,000
2022	295,000
Thereafter	10,495,000
Total	$12,005,000

NOTE 4 – NOTES PAYABLE (continued)

The Organization has a mortgage note payable obligated to the Independent Cities Finance Authority (ICFA) in connection with receiving the proceeds from the issuance of Series 2016A and Series 2016B Mobile Home Park Revenue Bonds in the original amounts of $11,330,000 and $345,000. The bonds are collateralized by the property and a first lien on the rental income. The bonds mature in 35 annual installments beginning January 2017, and interest is payable in semi-annual installments commencing July 2016. Interest rates range from 2.00% to 4.50% on Series A and 5.75% to 6.00% on Series B. The agreement contains various bond and regulatory covenants. The unamortized discount and debt issuance costs as of December 31, 2017 are $601,165.

The note payable to the Independent Cities Finance Authority matures as follows:

Year Ending December 31,	
2018	$ 170,000
2019	170,000
2020	175,000
2021	180,000
2022	185,000
Thereafter	10,640,000
Total	$11,520,000

Note payable to the Independent Cities Finance Authority (Valley View Agency Residual Receipt Note) was made in the amount of $90,000 and is unsecured. The note bears an interest rate of 2%, and is paid from the residual receipts produced from the operation of the Valley View project. Residual receipts are defined as the net operating revenues of the park. Payments of principal and interest shall be payable based on a twenty (20) year amortization commencing August 15, 2016, provided net operating revenues are 1.3 times debt service, as demonstrated in the June 15, 2016 audited coverage requirement certificate to be provided to ICFA pursuant to the Indenture. Interest shall begin accruing on August 15, 2016. Payments on the note shall be applied in the following order: repayment of any accrued interest, payment of the interest currently due, and repayment of principal. The stated due date is November 1, 2033. The outstanding balance at December 31, 2017 was $81,524.

The note payable to the Independent Cities Finance Authority matures as follows:

Year Ending December 31,	
2018	$ -
2019	4,456
2020	4,545
2021	4,637
2022	4,731
Thereafter	63,155
Total	$ 81,524

NOTE 4 – NOTES PAYABLE (continued)

Note payable to the City of Montclair Housing Authority (Villa Montclair Agency Residual Receipt Note) was made in the amount of $325,000 and is secured by a deed of trust, subordinate to the ICFA mortgage note payable. The agreement contains various bond and regulatory covenants. The note bears an interest rate of 2%, and is paid from the residual receipts produced from the operation of the Villa Montclair project. Residual receipts are moneys available for distribution annually or more frequently from the surplus fund held by the Trustee pursuant to the Indenture. No money flows into the surplus fund until the repair and replacement fund is fully funded with the Trustee. The amount needed to fully fund the repair and replacement fund is based on a facility needs report prepared by the property management company and submitted to the Trustee. Once these needs are met, the residual revenue deposited into the surplus fund will begin to pay installments to the City of Montclair Housing Authority. Payments of principal and interest shall be payable based on a twenty-four (24) year amortization commencing July 1, 2006 as provided by the Note. Interest shall accrue from the date of disbursement and shall be added to the principal as of that date. Payments on the note shall be applied in the following order: repayment of any accrued interest, other than accrued interest added to the principal, payment of the interest currently due, and repayment of principal. If there are no residual receipts available, then the interest accrued that year will be calculated on 2% of the original note principal balance, plus the unpaid accrued interest added to the principal, less the principal amount paid. The Trustee effectuates the payment on the note only after receiving instructions from the entity. The final payment is due July 1, 2030. The outstanding balance at December 31, 2017 was $350,910.

Note payable to the City of Montclair Housing Authority (Monterey Manor Agency Residual Receipt Note) was made in the amount of $750,000 and is secured by a deed of trust, subordinate to the ICFA mortgage note payable. The agreement contains various bond and regulatory covenants. The note bears an interest rate of 2%, and is paid from the residual receipts produced from the operation of the Monterey Manor project. Residual receipts are moneys available for distribution annually or more frequently from the surplus fund held by the Trustee pursuant to the Indenture. No money flows into the surplus fund until the repair and replacement fund is fully funded with the Trustee. The amount needed to fully fund the repair and replacement fund is based on a facility needs report prepared by the property tax management company and submitted to the Trustee. Once these needs are met, the residual revenue deposited into the surplus fund will begin to pay installments to the City of Montclair Housing Authority. Payments of principal and interest shall be payable based on a twenty-four (24) year amortization commencing December 20, 2007 as provided by the Note. Interest shall accrue from the date of disbursement and shall be added to the principal as of that date. Payments on the note shall be applied in the following order: repayment of any accrued interest, other than accrued interest added to the principal, payment of the interest currently due, and repayment of principal. If there are no residual receipts available, then the interest accrued that year will be calculated on 2% of the original note principal balance, plus the unpaid accrued interest added to the principal, less the principal amount paid. The Trustee effectuates the payment on the note only after receiving instructions from the entity. The final payment is due December 20, 2031. The outstanding balance at December 31, 2017 was $790,332.

NOTE 4 – NOTES PAYABLE (continued)

Note payable to the City of Montclair Housing Authority (Hacienda Agency Residual Receipt Note) was made in the amount of $1,400,000 and is secured by a deed of trust, subordinate to the ICFA mortgage note payable. The agreement contains various bond and regulatory covenants. The note bears an interest rate of 2%, and is paid from the residual receipts produced from the operation of the Hacienda project. Residual receipts are moneys available for distribution annually or more frequently from the surplus fund held by the Trustee pursuant to the Indenture. No money flows into the surplus fund until the repair and replacement fund is fully funded with the Trustee. The amount needed to fully fund the repair and replacement fund is based on a facility needs report prepared by the property management company and submitted to the Trustee. Once these needs are met, the residual amount deposited into the surplus fund will begin to pay installments to the City of Montclair Housing Authority. Payments of principal and interest shall be based on a twenty-five (25) year amortization period commencing November 1, 2012 as provided by the Note. Interest shall accrue from the date of disbursement and shall be added to the principal as of that date. Payments on the note shall be applied in the following order: repayment of any accrued interest, other than accrued interest added to the principal, payment of the interest currently due, and repayment of principal. If there are no residual receipts available, then the interest accrued that year will be calculated on 2% of the original note principal balance, plus the unpaid accrued interest added to the principal, less the principal amount paid. The Trustee effectuates the payment on the note only after receiving instructions from the entity. The stated due date is November 1, 2037. The outstanding balance at December 31, 2017 was $1,461,205.

NOTE 5 – COMPENSATED ABSENCES

It is the Organization's policy to accrue vacation pay for its employees. Full-time employees may accrue up to a maximum of 144 hours, 184 hours, or 240 hours, based on years of service, which may be paid out at the end of their employment period. Accrued vacation payable as of December 31, 2017 was $48,617. Employees are also granted sick pay, which is not an earned benefit. No payment of unused sick leave will be made upon termination of employment.

NOTE 6 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the year ended December 31, 2017, the Organization paid $2,126,626 in interest and no income taxes.

NOTE 7 – RELATED PARTIES

The Organization and two other non-profit organizations, Augusta Communities and Augusta Community Center, are under common control and management, with the same Board of Directors. The existence of this common control could result in changes in net assets or financial position of the Organization.

The Organization has entered into a management service agreement with Augusta Community Center, a related entity. Augusta Community Center is a supporting organization formed to benefit and support Augusta Homes by providing services that improve and enrich the quality of life of the residents living in the properties owned by the Organization, including programs, events and social services that promote resident relations, community building, healthy living, and academic enrichment not related to the operation of the park. For the year ended December 31, 2017, the Organization's projects paid Augusta Community Center $200,568 for its services, and the Organization received $200,568 from Augusta Community Center for program management services.

During 2017, the Organization introduced a home rehabilitation and replacement program in its Mooney Grove property. As part of this program, thirteen park owned homes that needed rehabilitation were purchased by Augusta Communities, and Augusta Communities paid rents on these spaces during the rehabilitation and sales period. For the year ended December 31, 2017, the Organization received cash of $112,290, recorded revenue of $88,665, and has a related party receivable of $8,363 from Augusta Communities. The revenue received from Augusta Communities was seven percent of Mooney Grove's total revenues in 2017. Without this revenue the Organization would have needed to pursue other alternatives in order to meet the Coverage Requirement Certificate on the ICFA Mobile Home Park Revenue Bonds Series 2016A and Series 2016B (Mooney Grove Mobile Manor).

Summarized unaudited financial information for Augusta Communities is as follows: total assets $301,645, total liabilities $286, total net assets $301,359, total revenues $790, and total expenses $70,843. Summarized unaudited financial information for Augusta Community Center is as follows: total assets $13,559, total liabilities $13,224, total net assets $335, total revenues $201,068, and total expenses $200,643.

NOTE 8 – RETIREMENT PLAN

The Organization has a defined contribution retirement plan under Internal Revenue Code Section 401(k) in which all eligible Augusta Homes employees may participate. The Organization makes matching contributions of 3% on 3% employee contributions, 3.5% on 4% employee contributions, and 4% on 5% employee contributions. Matching contributions for the year ended December 31, 2017 were $19,929.

NOTE 9 – COMMITMENTS

Operating Leases
The Organization leases commercial space under non-cancelable operating leases. The lease also requires payment of a share of common area operating costs. Minimum rental commitments exclusive of the allocation of these operating costs are as follows:

Year Ending December 31,	Total
2018	$ 15,002
	$ 15,002

Rental expenses were $25,323 for the year ended December 31, 2017.

Currently, the Organization's one year lease expires on July 31, 2018 and it is unknown at this time if the Organization will enter into a new long-term lease.

Management Agreements
The Organization entered into one-year property management agreements related to the mobile home properties. The fees under these agreements are adjusted annually based on the consumer price index and are renewed annually unless terminated in writing. The amounts paid under the agreements for the year ended December 31, 2017 was $131,428 to Richmond Capital for VDAM LLC and $156,152 to Haven Management Services for AC LLC.

NOTE 10 – CONCENTRATIONS

See Note 7 on related parties.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through June 28, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

AUGUSTA HOMES
(A NON-PROFIT ORGANIZATION)
SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	AUGUSTA HOMES	AC LLC	VDAM LLC	Eliminations	TOTAL
ASSETS					
Current Assets					
Cash	$ 264,034	$ 957,409	$ 1,423,679	$ -	$ 2,645,122
Accounts receivable	60,065	55,089	130,383	(112,850)	132,687
Cash and cash equivalents with fiscal agent	-	3,729,755	2,925,342	-	6,655,097
Prepaid expenses	-	17,414	-	-	17,414
Total Current Assets	324,099	4,759,667	4,479,404	(112,850)	9,450,320
Non-Current Assets					
Property and equipment, net	-	18,806,431	23,034,815	-	41,841,246
Investments with fiscal agent	-	-	1,010,960	-	1,010,960
Other deposits	-	549	-	-	549
Total Non-Current Assets	-	18,806,980	24,045,775	-	42,852,755
TOTAL ASSETS	$ 324,099	$ 23,566,647	$ 28,525,179	$ (112,850)	$ 52,303,075
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	$ -	$ 96,488	$ 36,923	$ (72,812)	$ 60,599
Accrued liabilities	146	73,101	15,557	(40,038)	48,766
Deferred revenue	-	18,993	-	-	18,993
Current portion of accrued interest	-	113,606	310,755	-	424,361
Security deposits	-	10,192	60,928	-	71,120
Current portion of notes payable	-	395,000	450,000	-	845,000
Total Current Liabilities	146	707,380	874,163	(112,850)	1,468,839
Non-Current Liabilities					
Notes payable, net of current portion- principal amount	-	21,198,971	23,075,000	-	44,273,971
Less unamortized discount and debt issuance costs	-	(362,169)	(1,202,706)	-	(1,564,875)
Notes payable less unamortized discount and debt issuance costs	-	20,836,802	21,872,294	-	42,709,096
Accrued interest, net of current portion	-	232,186	-	-	232,186
Total Non-Current Liabilities	-	21,068,988	21,872,294	-	42,941,282
Total Liabilities	146	21,776,368	22,746,457	(112,850)	44,410,121
Net Assets					
Unrestricted	323,953	1,790,279	5,778,722	-	7,892,954
Total Net Assets	323,953	1,790,279	5,778,722	-	7,892,954
TOTAL LIABILITIES AND NET ASSETS	$ 324,099	$ 23,566,647	$ 28,525,179	$ (112,850)	$ 52,303,075

AUGUSTA HOMES
(A NON-PROFIT ORGANIZATION)
SCHEDULE II - CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	AUGUSTA HOMES	AC LLC	VDAM LLC	TOTAL
REVENUE				
Rental income	$ -	$ 3,292,017	$ 2,993,234	$ 6,285,251
Utilities	-	878,841	457,528	1,336,369
Tenant services and misc.	3,733	39,741	49,271	92,745
Non-operating management fees	-	146,688	53,880	200,568
Interest	789	14,058	42,559	57,406
TOTAL REVENUE	4,522	4,371,345	3,596,472	7,972,339
EXPENSES				
Program Services				
Administrative (property and asset management services and other)	-	755,544	416,298	1,171,842
Utilities	-	823,841	468,928	1,292,769
Operating and maintenance	-	285,524	119,385	404,909
Taxes, insurance, and licenses	-	72,967	85,417	158,384
Interest	-	1,025,593	1,276,485	2,302,078
Depreciation	-	348,065	60,398	408,463
Total Program Services	-	3,311,534	2,426,911	5,738,445
Corporate Administration				
Professional services	2,909	615,056	294,544	912,509
Other expenses	-	230,824	133,292	364,116
Total Corporate Administration	2,909	845,880	427,836	1,276,625
TOTAL EXPENSES	2,909	4,157,414	2,854,747	7,015,070
INCREASE IN UNRESTRICTED NET ASSETS	1,613	213,931	741,725	957,269
BEGINNING UNRESTRICTED NET ASSETS	322,340	1,576,348	5,036,997	6,935,685
ENDING UNRESTRICTED NET ASSETS	$ 323,953	$ 1,790,279	$ 5,778,722	$ 7,892,954

AUGUSTA HOMES
(A NON-PROFIT ORGANIZATION)
SCHEDULE III - CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	AUGUSTA HOMES	AC LLC	VDAM LLC	Eliminations	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Increase in unrestricted net assets	$ 1,613	$ 213,931	$ 741,725	$ -	$ 957,269
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities					
Depreciation	-	348,065	60,398	-	408,463
Amortization of debt issuance costs	-	71,939	56,073	-	128,012
Gain on sale of assets	-	-	(1,123)	-	(1,123)
(Increase) decrease in:					
Accounts receivable	(59,065)	(33,245)	(37,572)	81,450	(48,432)
Advances	-	700	-	-	700
Prepaid expenses	-	(1,187)	-	-	(1,187)
Increase (decrease) in:					
Accounts payable	(1)	(13,134)	(14,777)	(62,764)	(90,676)
Accrued liabilities	(13,704)	69,155	(1,874)	(40,038)	13,539
Deferred revenue	-	7,433	(112,854)	-	(105,421)
Accrued interest	-	48,725	(1,282)	-	47,443
Security deposits	-	2,280	(31,692)	-	(29,412)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(71,157)	714,662	657,022	(21,352)	1,279,175
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales of capital assets	-	-	41,110	-	41,110
Purchase of capital assets	-	(268,675)	(134,420)	-	(403,095)
NET CASH USED BY INVESTING ACTIVITIES	-	(268,675)	(93,310)	-	(361,985)
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal payments of notes payable	-	(384,282)	(424,999)	-	(809,281)
NET CASH USED BY FINANCING ACTIVITIES	-	(384,282)	(424,999)	-	(809,281)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(71,157)	61,705	138,713	(21,352)	107,909
BEGINNING CASH AND CASH EQUIVALENTS	335,191	4,625,459	4,210,308	21,352	9,192,310
ENDING CASH AND CASH EQUIVALENTS	$ 264,034	$ 4,687,164	$ 4,349,021	$ -	$ 9,300,219
RECONCILIATION TO CONSOLIDATING STATEMENT OF FINANCIAL POSITION					
Cash	$ 264,034	$ 957,409	$ 1,423,679	$ -	$ 2,645,122
Cash and cash equivalents with fiscal agent	-	3,729,755	2,925,342	-	6,655,097
TOTAL CASH AND CASH EQUIVALENTS	$ 264,034	$ 4,687,164	$ 4,349,021	$ -	$ 9,300,219