AUGUSTA HOMES

(A NON-PROFIT ORGANIZATION)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee 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, 2015, 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, 2015, 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 21, 2016

AUGUSTA HOMES
(A NON-PROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS	
Current Assets	
Cash	$ 2,284,577
Accounts receivable	312,861
Advances	1,694
Cash and cash equivalents with fiscal agent	4,166,601
Prepaid expenses	11,731
Total Current Assets	6,777,464
Non-Current Assets	
Property and equipment, net	32,164,031
Investments with fiscal agent	1,010,960
Other deposits	102,538
Intangible assets, net	1,190,657
Total Non-Current Assets	34,468,186
TOTAL ASSETS	$ 41,245,650
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	$ 57,144
Accrued liabilities	22,960
Deferred revenue	15,640
Accrued interest	215,171
Current portion of notes payable	620,000
Total Current Liabilities	930,915
Non-Current Liabilities	
Security deposits	32,848
Accrued interest, net of current portion	128,088
Notes payable, net of current portion	34,257,447
Total Non-Current Liabilities	34,418,383
Total Liabilities	35,349,298
Net Assets	
Unrestricted	5,896,352
Total Net Assets	5,896,352
TOTAL LIABILITIES AND NET ASSETS	$ 41,245,650

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, 2015

REVENUE	
Rental income	$ 5,085,975
Utilities	1,081,394
Tenant services and misc.	86,158
Non-operating management fees	168,252
Interest	33,322
Other income	46,025
TOTAL REVENUE	6,501,126
EXPENSES	
Program Services	
Administrative (property and asset management services and other)	975,859
Utilities	1,074,340
Operating and maintenance	310,282
Taxes, insurance, and licenses	145,224
Interest	1,754,307
Depreciation	357,969
Total Program Services	4,617,981
Corporate Administration	
Professional services	674,545
Other expenses	384,684
Total Corporate Administration	1,059,229
TOTAL EXPENSES	5,677,210
INCREASE IN UNRESTRICTED NET ASSETS	823,916
BEGINNING UNRESTRICTED NET ASSETS	5,072,436
ENDING UNRESTRICTED NET ASSETS	$ 5,896,352

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in unrestricted net assets	$ 823,916
Adjustments to reconcile increase in net assets	
to net cash provided by operating activities	
Depreciation	357,969
Amortization of intangible assets	100,204
(Increase) decrease in:	
Accounts receivable	(301,630)
Advances	336
Prepaid expenses	(846)
Other current assets	11,156
Other deposits	(101,045)
Increase (decrease) in:	
Accounts payable	(16,480)
Accrued liabilities	18,837
Deferred revenue	(4,760)
Accrued interest	4,841
Security deposits	(4,937)
NET CASH PROVIDED BY OPERATING ACTIVITIES	887,561
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	(450,695)
NET CASH USED BY INVESTING ACTIVITIES	(450,695)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments of notes payable	(600,901)
NET CASH USED BY FINANCING ACTIVITIES	(600,901)
DECREASE IN CASH AND CASH EQUIVALENTS	(164,035)
BEGINNING CASH AND CASH EQUIVALENTS	6,615,213
ENDING CASH AND CASH EQUIVALENTS	$ 6,451,178
RECONCILIATION TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
Cash	$ 2,284,577
Cash and cash equivalents with fiscal agent	4,166,601
TOTAL CASH AND CASH EQUIVALENTS	$ 6,451,178

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 Southern 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 one project: Villa Del Arroyo 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, 2015 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2012, 2013, and 2014 are open to audit by the Federal authorities. California State informational returns for the years ended December 31, 2011, 2012, 2013, and 2014 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

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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Payment In-Lieu of Taxes
Payment in-lieu of taxes represent the approximate value of property taxes the former Montclair Redevelopment agency forgoes due to the Organization’s tax-exempt status. Payments are made from cash flow for the Villa Montclair project and from surplus revenues for the Monterey Manor and Hacienda projects. Payments are made from surplus accounts held by the Trustee only when surplus revenues are available.

California Senate Bill No. 1203, approved by the Governor, September 27, 2014, cancels all outstanding *ad valorem* taxes, interest, and penalties that were levied between January 1, 2012, and January 1, 2015 as a result of a Payment in Lieu of Taxes (PILOT) agreement. Any property owner who paid any ad valorem taxes, interest, or penalties levied between January 1, 2012, and January 1, 2015 as a result of a PILOT agreement requires a refund under the bill. The Organization made payments between 2012 and 2015 for Villa Montclair, Monterey Manor and Hacienda projects. As a result, the Organization has reached an agreement with the City of Montclair to apply refunded taxes for each of the projects to the outstanding notes held by the City (See Note 5). The amount received in refunded in-lieu taxes for the year ended December 31, 2015 was $44,275.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments (continued)
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 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, 2015 consisted of the following:

	Balance at January 1, 2015	Additions	Balance at December 31, 2015
Land	$ 25,914,580	$ -	$ 25,914,580
Buildings and improvements	7,808,733	100,470	7,909,203
Furniture and equipment	755,724	15,024	770,748
Land improvements	863,726	71,736	935,462
Street and sidewalk improvements	561,481	197,519	759,000
Playground	60,165	3,072	63,237
Park manager residences	240,145	54,558	294,703
Sewer system	42,436	-	42,436
Electric system	16,570	-	16,570
Gas system	21,621	-	21,621
Pool improvements	128,122	-	128,122
Automobiles and trucks	18,665	-	18,665
Street lights	17,450	15,000	32,450
Construction in progress	14,536	(11,334)	3,202
Rental Units	131,927	4,650	136,577
Total property and equipment	36,595,881	450,695	37,046,576
Buildings and improvements	(3,237,658)	(263,043)	(3,500,701)
Furniture and equipment	(723,832)	(5,492)	(729,324)
Land improvements	(176,686)	(29,887)	(206,573)
Street and sidewalk improvements	(111,321)	(20,715)	(132,036)
Playground	(48,131)	(6,196)	(54,327)
Park manager residences	(186,549)	(13,171)	(199,720)
Sewer system	(6,935)	(1,415)	(8,350)
Electric system	(826)	(552)	(1,378)
Gas system	(9,847)	(721)	(10,568)
Pool improvements	(13,701)	(7,831)	(21,532)
Automobiles and trucks	(6,944)	(3,149)	(10,093)
Street lights	(1,746)	(873)	(2,619)
Rental Units	(400)	(4,924)	(5,324)
Total accumulated depreciation	(4,524,576)	(357,969)	(4,882,545)
Net property and equipment	$ 32,071,305	$ 92,726	$ 32,164,031

NOTE 2 – PROPERTY AND EQUIPMENT (continued)

Depreciation expense for the year ended December 31, 2015 was $357,969.

NOTE 3 – CASH AND INVESTMENTS WITH FISCAL AGENT

At December 31, 2015, 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 measures fair value, refer to Note 1.

	Fair Value
US Bank Money Market (Level 1)	$ 3,019,791
First American Treasury Obligations Fund (Level 1)	1,146,810
Guaranteed Investment Contract Natixis Funding Corporation (interest rate of 3.17%, maturity date of May 15, 2041) (Level 3)	1,010,960
	$ 5,177,561

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, 2015. The Organization did not have any liabilities measured at fair value on a recurring basis as of December 31, 2015.

Level 3 Assets:	
Balance, Beginning of Year	$ 1,010,960
Interest income	31,870
Sales and transfers	(31,870)
Balance, End of Year	$ 1,010,960

There were no gains or losses for the year ended December 31, 2015 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	$ 31,870
Total investment income	$ 31,870

NOTE 4 – INTANGIBLE ASSETS

Intangible assets are amortized over periods ranging from 10 to 35 years and consist of the following:

	Balance at January 1, 2015	Additions	Balance at December 31, 2015
Cost of bond issuance	$ 1,057,752	$ 25,617	$ 1,083,369
Bond issue discount	891,183	-	891,183
Reoffering premium	(407,788)	-	(407,788)
Less accumulated amortization	(275,903)	(100,204)	(376,107)
Net intangible assets	$ 1,265,244	$ (74,587)	$ 1,190,657

Amortization expense was $100,204 for the year ended December 31, 2015.

NOTE 5 – NOTES PAYABLE

Notes payable consisted of the following as of December 31, 2015:

	Balance at January 1, 2015	Additions	Subtractions	Balance at December 31, 2015
Independent Cities Finance Authority Mobile Home Park Revenue Refunding Bonds Series 2012A & 2012B (AC Mobile Home Park Pool)	$ 20,010,000	$ -	$ (355,000)	$ 19,655,000
City of Moorpark Mobile Home Park Revenue Refunding Bonds (Villa Del Arroyo Series 2011 A & B)	12,775,000	-	(245,000)	12,530,000
Note payable to the Independent Cities Finance Authority (Valley View)	90,000	-	-	90,000
Note payable to the City of Montclair Housing Authority (Villa Montclair)	351,811	-	(901)	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	35,478,348	-	(600,901)	34,877,447
Less current portion	(600,000)	(620,000)	600,000	(620,000)
Notes payable, net of current portion and original issue discount	$ 34,878,348	$ (620,000)	$ (901)	$ 34,257,447

NOTE 5 – NOTES PAYABLE (continued)

The aggregate maturities of the notes payable are as follows:

Year Ending December 31,	
2016	$ 620,000
2017	650,000
2018	675,000
2019	705,000
2020	730,000
Thereafter	31,497,447
Total	$34,877,447

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

Year Ending December 31,	
2016	$ 365,000
2017	380,000
2018	395,000
2019	410,000
2020	420,000
Thereafter	17,685,000
Total	$19,655,000

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.

NOTE 5 – NOTES PAYABLE (continued)

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

Year Ending December 31,	
2016	$ 255,000
2017	270,000
2018	280,000
2019	295,000
2020	310,000
Thereafter	11,120,000
Total	$12,530,000

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, 2015 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.

NOTE 5 – NOTES PAYABLE (continued)

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, 2015 was $790,332.

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, 2015 was $1,461,205.

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, 2015 was $90,000.

NOTE 6 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the year ended December 31, 2015, the Organization paid $1,706,091 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 series 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, 2015, the Organization's projects paid Augusta Community Center $168,582 for its services, and the Organization received $168,252 from Augusta Community Center for program management services.

NOTE 8 – RETIREMENT PLAN

The Organization has a defined contribution retirement plan under Internal Revenue Code Section 401(k) in which all eligible Augusta Communities 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, 2015 were $2,621.

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
2016	$ 14,321
	$ 14,321

Rental expenses were $24,015 for the year ended December 31, 2015.

Currently, the Organization's five year lease expires on July 31, 2016 and it is unknown at this time if the Organization will enter into a new long-term lease.

NOTE 9 – COMMITMENTS (continued)

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, 2015 was $75,691 to Richmond Capital for VDAM LLC and $151,668 to Haven Management Services for AC LLC.

NOTE 10 – CONTINGENCIES

In 2015, VDAM LLC was sued by tenants in three separate cases. As of December 31, 2015, no timetable is set regarding when the cases are to be resolved. Furthermore, the amount of liability VDAM LLC may owe to the tenants has yet to be determined, and there is no determination whether VDAM LLC will prevail in the lawsuits against the tenants. See Note 11.

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 21, 2016, which is the date the financial statements were available to be issued.

The Organization purchased an additional mobile home park in January 2016 in Visalia, California. The mobile home park is valued at $10,260,738 and the Organization incurred debt of $11,730,000 to finance the acquisition and improvement of the park. As of December 31, 2015, the Organization has paid an escrow deposit of $100,000 and accrued $25,617 in legal fees related to the purchase. The Organization subsequently had its escrow deposit of $100,000 returned on January 7, 2016 at the close of escrow. The legal fees were paid with bond proceeds.

Of the three open cases, one had subsequently proceeded to trial in January 2016. In May 2016, VDAM LLC was ordered to pay the defendants' attorneys approximately $36,000. The Organization plans to appeal the ruling.

SUPPLEMENTARY INFORMATION

AUGUSTA HOMES
(A NON-PROFIT ORGANIZATION)
SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

	AUGUSTA HOMES	AC LLC	VDAM LLC	Eliminations	TOTAL
ASSETS					
Current Assets					
Cash	$ 336,052	$ 1,068,258	$ 870,595	$ 9,672	$ 2,284,577
Accounts receivable	1,000	277,982	64,504	(30,625)	312,861
Advances	-	1,694	-	-	1,694
Cash and cash equivalents with fiscal agent	-	3,019,791	1,146,810	-	4,166,601
Prepaid expenses	-	11,731	-	-	11,731
Total Current Assets	337,052	4,379,456	2,081,909	(20,953)	6,777,464
Non-Current Assets					
Property and equipment, net	-	19,066,257	13,097,774	-	32,164,031
Investments with fiscal agent	-	-	1,010,960	-	1,010,960
Other deposits	-	549	101,989	-	102,538
Intangible assets, net	-	506,044	684,613	-	1,190,657
Total Non-Current Assets	-	19,572,850	14,895,336	-	34,468,186
TOTAL ASSETS	$ 337,052	$ 23,952,306	$ 16,977,245	$ (20,953)	$ 41,245,650
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	$ -	$ 48,555	$ 29,542	(20,953)	$ 57,144
Accrued liabilities	16,978	5,982	-	-	22,960
Deferred revenue	-	15,640	-	-	15,640
Accrued interest	-	117,914	97,257	-	215,171
Current portion of notes payable	-	365,000	255,000	-	620,000
Total Current Liabilities	16,978	553,091	381,799	(20,953)	930,915
Non-Current Liabilities					
Security deposits	-	7,099	25,749	-	32,848
Accrued interest, net of current portion	-	128,088	-	-	128,088
Notes payable, net of current portion	-	21,982,447	12,275,000	-	34,257,447
Total Non-Current Liabilities	-	22,117,634	12,300,749	-	34,418,383
Total Liabilities	16,978	22,670,725	12,682,548	(20,953)	35,349,298
Net Assets					
Unrestricted	320,074	1,281,581	4,294,697	-	5,896,352
Total Net Assets	320,074	1,281,581	4,294,697	-	5,896,352
TOTAL LIABILITIES AND NET ASSETS	$ 337,052	$ 23,952,306	$ 16,977,245	$ (20,953)	$ 41,245,650

AUGUSTA HOMES
(A NON-PROFIT ORGANIZATION)
SCHEDULE II - CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	AUGUSTA HOMES	AC LLC	VDAM LLC	TOTAL
REVENUE				
Rental income	$ -	$ 3,206,323	$ 1,879,652	$ 5,085,975
Utilities	-	795,420	285,974	1,081,394
Tenant services and misc.	-	39,971	46,187	86,158
Non-operating management fees	-	116,592	51,660	168,252
Interest	781	669	31,872	33,322
Other income	-	44,275	1,750	46,025
TOTAL REVENUE	781	4,203,250	2,297,095	6,501,126
EXPENSES				
Program Services				
Administrative (property and asset management services and other)	-	725,203	250,656	975,859
Utilities	-	798,668	275,672	1,074,340
Operating and maintenance	-	215,803	94,479	310,282
Taxes, insurance, and licenses	-	72,051	73,173	145,224
Interest	-	977,775	776,532	1,754,307
Depreciation	-	332,073	25,896	357,969
Total Program Services	-	3,121,573	1,496,408	4,617,981
Corporate Administration				
Professional services	6,978	470,232	197,335	674,545
Other expenses	-	263,175	121,509	384,684
Total Corporate Administration	6,978	733,407	318,844	1,059,229
TOTAL EXPENSES	6,978	3,854,980	1,815,252	5,677,210
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(6,197)	348,270	481,843	823,916
BEGINNING UNRESTRICTED NET ASSETS	326,271	933,311	3,812,854	5,072,436
ENDING UNRESTRICTED NET ASSETS	$ 320,074	$ 1,281,581	$ 4,294,697	$ 5,896,352

AUGUSTA HOMES
(A NON-PROFIT ORGANIZATION)
SCHEDULE III - CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	AUGUSTA HOMES	AC LLC	VDAM LLC	Eliminations	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Increase (decrease) in unrestricted net assets	$ (6,197)	$ 348,270	$ 481,843	$ -	$ 823,916
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities					
Depreciation	-	332,073	25,896	-	357,969
Amortization of intangible assets	-	71,477	28,727	-	100,204
(Increase) decrease in:					
Accounts receivable	50,384	(265,756)	(64,504)	(21,754)	(301,630)
Advances	-	336	-	-	336
Prepaid expenses	-	(846)	-	-	(846)
Other current assets	-	11,156	-	-	11,156
Other deposits	-	642	(101,687)	-	(101,045)
Increase (decrease) in:					
Accounts payable	-	(10,734)	(37,172)	31,426	(16,480)
Accrued liabilities	12,855	5,982	-	-	18,837
Deferred revenue	-	(4,760)	-	-	(4,760)
Accrued interest	-	6,463	(1,622)	-	4,841
Security deposits	-	(4,491)	(446)	-	(4,937)
NET CASH PROVIDED BY OPERATING ACTIVITIES	57,042	489,812	331,035	9,672	887,561
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of capital assets	-	(395,071)	(55,624)	-	(450,695)
NET CASH USED BY INVESTING ACTIVITIES	-	(395,071)	(55,624)	-	(450,695)
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal payments of notes payable	-	(355,901)	(245,000)	-	(600,901)
NET CASH USED BY FINANCING ACTIVITIES	-	(355,901)	(245,000)	-	(600,901)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	57,042	(261,160)	30,411	9,672	(164,035)
BEGINNING CASH AND CASH EQUIVALENTS	279,010	4,349,209	1,986,994	-	6,615,213
ENDING CASH AND CASH EQUIVALENTS	$ 336,052	$ 4,088,049	$ 2,017,405	$ 9,672	$ 6,451,178
RECONCILIATION TO CONSOLIDATING STATEMENT OF FINANCIAL POSITION					
Cash	$ 336,052	$ 1,068,258	$ 870,595	$ 9,672	$ 2,284,577
Cash and cash equivalents with fiscal agent	-	3,019,791	1,146,810	-	4,166,601
TOTAL CASH AND CASH EQUIVALENTS	$ 336,052	$ 4,088,049	$ 2,017,405	$ 9,672	$ 6,451,178