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**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

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**TABLE OF CONTENTS**

	<b>Page</b>
<b>Independent auditor's report</b>	1-2
<b>Consolidated financial statements</b>	
Consolidated statements of financial position	3-4
Consolidated statements of activities	5
Consolidated statements of functional expenses	6-7
Consolidated statements of changes in net assets	8
Consolidated statements of cash flows	9-10
<b>Notes to consolidated financial statements</b>	11-33
<b>Supplementary information</b>	
Consolidating and combining schedules of assets, liabilities and net assets	34-36
Consolidating and combining schedules of revenues, expense, and changes in net assets	37-41



**Dauby O'Connor & Zaleski, LLC**

A Limited Liability Company

Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Decro Corporation and Affiliates  
(A California Not-for-Profit Corporation)

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Decro Corporation and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, 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 Consolidated Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of 9 of the Operating Partnerships of which the activity on these Operating Partnerships represents 60% and 77% of the total assets of the Corporation at December 31, 2019 and 2018, and 87% and 84% of the total changes in net assets of the Corporation for the years ended December 31, 2019 and 2018, all respectively. Those statements were audited by component auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those Operating Partnerships, is based solely on the reports of the component auditors. 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 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 Decro Corporation and Affiliates' 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 Decro Corporation and Affiliates' 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.

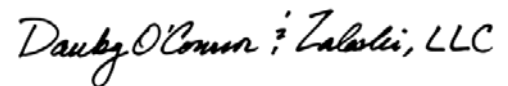
### **Opinion**

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Decro Corporation and Affiliates as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and combining schedules of assets, liabilities and net assets and consolidating and combining schedules of revenues, expense, and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

July 31, 2020  
Carmel, Indiana



Dauby O'Connor & Zaleski, LLC  
Certified Public Accountants

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018**

**ASSETS**

	<u>2019</u>	<u>2018</u>
<b>Current assets</b>		
Cash	\$ 1,462,902	\$ 1,658,704
Cash - with donor restrictions	17,945	-
Resident security deposits	272,526	266,649
Reserves and escrows	1,430,060	1,324,724
<b>Cash and cash equivalents</b>	<u><b>3,183,433</b></u>	<u><b>3,250,077</b></u>
Accounts receivable - residents, net	59,550	27,740
Accounts receivable - operations	94,300	-
Prepaid expenses	83,065	83,929
<b>Total current assets</b>	<u><b>3,420,348</b></u>	<u><b>3,361,746</b></u>
<b>Property and equipment</b>		
Land	25,671,467	14,077,035
Buildings and improvements	61,129,548	61,129,548
Furniture and equipment, leasehold improvements and website design	1,987,389	1,987,389
Construction in progress	7,286,843	1,946,754
	<u><b>96,075,247</b></u>	<u><b>79,140,726</b></u>
Less: Accumulated depreciation	<u>(25,778,339)</u>	<u>(24,009,830)</u>
<b>Total property and equipment</b>	<u><b>70,296,908</b></u>	<u><b>55,130,896</b></u>
<b>Other assets</b>		
Predevelopment costs	184,030	150,000
Office lease deposit	18,818	18,818
Investments in Operating Partnerships	23,216	23,290
Due from Decro Long Beach, L.P.	1,659,472	1,659,472
Unamortized costs, net	-	6,627
Miscellaneous other assets	10,034	10,034
<b>Total other assets</b>	<u><b>1,895,570</b></u>	<u><b>1,868,241</b></u>
	<u><u><b>\$ 75,612,826</b></u></u>	<u><u><b>\$ 60,360,883</b></u></u>

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)  
DECEMBER 31, 2019 AND 2018**

**LIABILITIES AND NET ASSETS**

	<u>2019</u>	<u>2018</u>
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,562,060	\$ 608,171
Accrued payroll liabilities	69,169	16,337
Accrued interest payable - current portion	138,146	62,152
Prepaid rent	6,788	6,949
Current maturities of long term debt	4,323,666	633,029
	<u>6,099,829</u>	<u>1,326,638</u>
<b>Resident security deposits</b>	<u>277,927</u>	<u>272,536</u>
<b>Long term liabilities</b>		
Due to United Way	150,000	-
Accrued interest payable, net of current portion	10,030,721	8,886,842
Long term debt, net of current maturities	43,847,543	31,769,117
Less: unamortized debt issuance costs, net	(682,789)	(679,131)
	<u>53,345,475</u>	<u>39,976,828</u>
<b>Total long term liabilities</b>	<u>53,345,475</u>	<u>39,976,828</u>
<b>Total liabilities</b>	<u>59,723,231</u>	<u>41,576,002</u>
<b>Net assets</b>		
Net assets - without donor restrictions	21,898,057	22,364,469
Net assets - with donor restrictions	17,945	-
Non-controlling interest in Operating Partnerships	(6,026,407)	(3,579,588)
	<u>15,889,595</u>	<u>18,784,881</u>
<b>Total net assets</b>	<u>15,889,595</u>	<u>18,784,881</u>
	<u><u>\$ 75,612,826</u></u>	<u><u>\$ 60,360,883</u></u>

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Changes in net assets - without donor restrictions</b>		
<b>Revenue</b>		
Residential rental income, net of vacancy and concessions	\$ 4,881,607	\$ 4,393,816
Management fees	25,000	12,500
Interest income	3,755	49,170
Other income	167,870	176,821
Net assets released from restrictions	241,675	-
<b>Total revenue</b>	<u>5,319,907</u>	<u>4,632,307</u>
<b>Operating expenses</b>		
<b>Program expenses</b>		
Housing management	7,014,264	6,853,474
Housing development	492,935	260,633
<b>Total program expenses</b>	<u>7,507,199</u>	<u>7,114,107</u>
<b>Supporting service expenses</b>		
Management and general	467,822	184,002
<b>Total operating expenses</b>	<u>7,975,021</u>	<u>7,298,109</u>
<b>Non-operating expenses</b>		
Loss on disposal of predevelopment costs	(27,845)	(82,590)
Loss on investments in Operating Partnerships	(74)	(73)
<b>Total non-operating expenses</b>	<u>(27,919)</u>	<u>(82,663)</u>
<b>Increase (decrease) in net assets - without donor restrictions</b>	<u>(2,683,033)</u>	<u>(2,748,465)</u>
<b>Changes in net assets - with donor restrictions</b>		
Grant revenue	259,620	-
Net assets released from restrictions	(241,675)	-
<b>Increase (decrease) in net assets - with donor restrictions</b>	<u>17,945</u>	<u>-</u>
<b>Increase (decrease) in total net assets</b>	<u>(2,665,088)</u>	<u>(2,748,465)</u>
Non-controlling interest in net losses of Operating Partnerships	2,216,621	2,265,660
<b>Increase (decrease) in total net assets excluding non-controlling interest</b>	<u>\$ (448,467)</u>	<u>\$ (482,805)</u>

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

	Housing Management	Housing Development	Total Program Expenses	Management and General	Total
<b>Operating expenses</b>					
Administrative	\$ 294,512	\$ 50,967	\$ 345,479	\$ 97,271	\$ 442,750
Office lease	14,652	-	14,652	109,361	124,013
Bad debt	6,446	-	6,446	-	6,446
Professional fees	160,475	20,400	180,875	32,609	213,484
Utilities	519,851	-	519,851	814	520,665
Operating and maintenance	839,560	2,350	841,910	-	841,910
Property management fees	240,062	-	240,062	-	240,062
Payroll	855,897	351,433	1,207,330	84,536	1,291,866
Payroll taxes and benefits	471,286	67,785	539,071	17,303	556,374
<b>Total operating expenses</b>	<b>3,402,741</b>	<b>492,935</b>	<b>3,895,676</b>	<b>341,894</b>	<b>4,237,570</b>
<b>Non-operating expenses</b>					
Depreciation and amortization	1,758,579	-	1,758,579	16,558	1,775,137
Interest	1,815,618	-	1,815,618	109,370	1,924,988
Entity fees	37,326	-	37,326	-	37,326
<b>Total non-operating expenses</b>	<b>3,611,523</b>	<b>-</b>	<b>3,611,523</b>	<b>125,928</b>	<b>3,737,451</b>
<b>Total operating and non-operating expenses</b>	<b>\$ 7,014,264</b>	<b>\$ 492,935</b>	<b>\$ 7,507,199</b>	<b>\$ 467,822</b>	<b>\$ 7,975,021</b>



**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2018**

	Housing Management	Housing Development	Total Program Expenses	Management and General	Total
<b>Operating expenses</b>					
Administrative	\$ 331,550	\$ 53,122	\$ 384,672	\$ 84,591	\$ 469,263
Office lease	21,600	37,439	59,039	12,960	71,999
Bad debt	18,602	-	18,602	-	18,602
Professional fees	169,851	-	169,851	25,980	195,831
Utilities	516,987	819	517,806	283	518,089
Operating and maintenace	881,807	-	881,807	92	881,899
Property management fees	217,302	-	217,302	-	217,302
Payroll	687,421	125,969	813,390	43,605	856,995
Payroll taxes and benefits	495,952	36,877	532,829	13,565	546,394
<b>Total operating expenses</b>	<b>3,341,072</b>	<b>254,226</b>	<b>3,595,298</b>	<b>181,076</b>	<b>3,776,374</b>
<b>Non-operating expenses</b>					
Depreciation and amortization	1,788,858	6,407	1,795,265	2,218	1,797,483
Interest	1,683,747	-	1,683,747	708	1,684,455
Entity fees	39,797	-	39,797	-	39,797
<b>Total non-operating expenses</b>	<b>3,512,402</b>	<b>6,407</b>	<b>3,518,809</b>	<b>2,926</b>	<b>3,521,735</b>
<b>Total operating and non-operating expenses</b>	<b>\$ 6,853,474</b>	<b>\$ 260,633</b>	<b>\$ 7,114,107</b>	<b>\$ 184,002</b>	<b>\$ 7,298,109</b>

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>Without donor restrictions</u>		<u>With donor restrictions</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Noncontrolling Interest</u>		
<b>Net assets, January 1, 2018</b>	<b>\$ 22,847,274</b>	<b>\$ (1,599,993)</b>	<b>\$ -</b>	<b>\$ 21,247,281</b>
Increase (decrease) in net assets	(482,805)	(2,265,660)	-	(2,748,465)
Capital contributions from non-controlling interests	-	396,814	-	396,814
Distributions to non-controlling interests	-	(110,749)	-	(110,749)
<b>Net assets, December 31, 2018</b>	<b>22,364,469</b>	<b>(3,579,588)</b>	<b>-</b>	<b>18,784,881</b>
Increase (decrease) in net assets	(466,412)	(2,216,621)	17,945	(2,665,088)
Distributions to non-controlling interests	-	(230,198)	-	(230,198)
<b>Net assets, December 31, 2019</b>	<b>\$ 21,898,057</b>	<b>\$ (6,026,407)</b>	<b>\$ 17,945</b>	<b>\$ 15,889,595</b>

**DECRO CORPORATION AND AFFILIATES**  
**(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Reconciliation of increase (decrease) in net assets to net cash provided by (used in) operating activities</b>		
Increase (decrease) in net assets	<u>\$ (2,665,088)</u>	<u>\$ (2,748,465)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,768,509	1,775,834
Amortization	6,627	21,649
Amortization - debt issuance costs	68,553	43,180
Loss on disposal of predevelopment costs	27,845	82,590
Loss on investments in Operating Partnerships	74	73
Changes in:		
Accounts receivable - residents, net	(31,810)	(12,819)
Accounts receivable - operations	(94,300)	-
Prepaid expenses	864	31,022
Office lease deposit	-	(17,558)
Miscellaneous current assets	-	3,035
Accounts payable and accrued expenses	296,486	(75,967)
Accrued payroll	52,832	(5,418)
Accrued interest payable	1,219,873	957,597
Resident security deposits liability	5,391	10,414
Prepaid rent	(161)	1,758
<b>Total adjustments</b>	<u><b>3,320,783</b></u>	<u><b>2,815,390</b></u>
<b>Net cash provided by (used in) operating activities</b>	<u><b>655,695</b></u>	<u><b>66,925</b></u>
<b>Cash flow from investing activities</b>		
Purchase of property and equipment	(16,277,118)	(8,274,300)
Purchase of predevelopment costs	(211,875)	-
Refund of land deposits	150,000	-
<b>Net cash provided by (used in) investing activities</b>	<u><b>(16,338,993)</b></u>	<u><b>(8,274,300)</b></u>
<b>Cash flow from financing activities</b>		
Principal payments on long term debt	(2,237,346)	(616,291)
Proceeds from long term debt	18,006,409	3,939,694
Advances from United Way	150,000	-
Increase in unamortized debt issuance costs	(72,211)	(24,170)
Distributions to non-controlling interests in Operating Partnerships	(230,198)	(110,749)
Capital contributions from non-controlling interests in Operating Partnerships	-	396,814
<b>Net cash provided by (used in) financing activities</b>	<u><b>15,616,654</b></u>	<u><b>3,585,298</b></u>

See notes to consolidated financial statements

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Net changes in cash and cash equivalents</b>	<b>\$ (66,644)</b>	<b>\$ (4,622,077)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b><u>3,250,077</u></b>	<b><u>7,872,154</u></b>
<b>Cash and cash equivalents at end of year</b>	<b><u><u>\$ 3,183,433</u></u></b>	<b><u><u>\$ 3,250,077</u></u></b>
Cash paid for interest (including capitalized interest paid)	<u>\$ 1,513,473</u>	<u>\$ 795,173</u>

**Supplemental information**

Cash flow from investing activities related to the purchase of property and equipment for the year ended December 31, 2019 excludes \$917,956, which is included in accounts payable and accrued expenses at December 31, 2019, and includes \$142,150, which was included in accounts payable and accrued expenses at December 31, 2018.

**Non-cash transactions**

Purchase of property and equipment	\$ -	\$ (204,824)
Predevelopment costs	-	114,196
Accrued interest payable	-	(184,125)
Long term debt	-	274,753
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION**

Decro Corporation (A California Non-Profit Public Benefit Corporation) was founded in 1989 as a non-profit organization under California law and is qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Its primary objective is to preserve and expand the availability of affordable housing for families and senior citizens with low and very low incomes and persons with special needs through the ownership, development, construction, rehabilitation, financing, management and operation of multi-family housing properties.

As of December 31, 2019 and 2018, Decro Corporation provides management services to six California Non-Profit Public Benefit Corporation's (the "Affiliated Organizations") that are the General Partner, Co-General Partner, Development General Partner or Limited Partner in entities which operate low-income housing properties. The Affiliated Organizations are as follows: Decro Alpha, Decro Beta, Decro Chi, Decro Epsilon, Decro Kappa and Decro Management. Collectively the Corporation and these entities are all controlled by a common board of directors.

Decro Corporation or the Affiliated Organizations have a 100% ownership interest in the following entities: Decro Orion, LLC; Decro Osborne, LLC; Brandywood Holdings, LLC; Decro Beta Dunwoodie, LLC; Decro Firmin, LLC; Decro Brine, LLC; Decro Brine Residential, LLC; Brine PSH, LLC; Decro Watts, LLC; Decro NoHo 5050, LLC; and Decro Harvard, LLC (the "Ownership Entities").

Decro Corporation, Affiliated Organizations or Ownership Entities are the General Partner, Co-General Partner, Development General Partner and/or Limited Partner in eighteen entities which all operate or intend to operate low-income housing properties. (the "Operating Partnerships"). The Ownership Entities and fourteen of the Operating Partnerships are controlled by the Corporation and as such are included in these consolidated financial statements. The fourteen Operating Partnerships controlled by the Corporation are as follows:

<u>Operating Partnership</u>	<u>DBA Name</u>	<u>Ownership Interest %</u>	<u>Residential Units</u>
Decro Orion Apartments, L.P.	Orion Gardens Apartments	0.006%	32
Decro Osborne Apartments, L.P.	Osborne Gardens Apartments	0.006%	51
Peppertree of Banning, L.P.	Peppertree Apartments	0.05%	81
Barstow Suncrest Apartments, L.P.	Suncrest Apartments	0.05%	81
Valle Verde of Orange Cove, L.P.	Valle Verde Apartments	0.05%	73
Brandywood Holdings, L.L.L.P.	Brandywood Apartments	33.33%	90
Decro Nordhoff, L.P.	Nordhoff Apartments	100.00%	38
N/A	Saticoy Street Apartments	100.00%	18
<b>Projects in development at December 31, 2019 and 2018</b>			
Firmin Court, L.P.	N/A	99.999%	N/A
The Brine, L.P.	N/A	100%	N/A
Brine Residential, L.P.	N/A	100%	N/A
Watts Works, L.P.	N/A	0.0051%	N/A
NoHo 5050, L.P.	N/A	99.9951%	N/A
1043 Harvard, L.P.	N/A	42.456755%	N/A

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

The Affiliated Organizations, Ownership Entities and controlled Operating Partnerships (collectively, the "Affiliates") are all controlled by Decro Corporation and are reported collectively as Decro Corporation and Affiliates (the "Corporation"). See Note 6 for Operating Partnerships not controlled by the Corporation.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation of the consolidated financial statements**

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

The accounts of the Corporation are maintained, and the consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred. In addition, the consolidated financial statements are in conformity with the provisions required by the Not-for-Profit Entities Presentation of Financial Statements topic of the FASB *Accounting Standards Codification* ("FASB ASC") 958-205. This statement established standards for external financial reporting for Not-for-Profit Organizations.

The Not-for-Profit Entities Presentation of Financial Statements topic of the FASB ASC primarily affects the display of the consolidated financial statements and requires that the amounts for each of two classes of net assets - with or without donor restrictions in aggregate consolidated statements of financial position and the amounts of change in each of those classes of net assets be displayed in a consolidated statement of changes in net assets. See Note 12 for net assets - with donor restrictions.

**Consolidation**

In accordance with FASB ASC 810-10 and FASB ASC 958-810, the consolidated financial statements include the accounts of the Corporation and Affiliated Organizations, after elimination of all material intercompany accounts, transactions, and profits.

The consolidated financial statements also consolidate the assets, liabilities, and activities of Operating Partnerships and Ownership Entities for which the Corporation or Affiliated Organizations, as the General Partner, Co-General Partner, Development General Partner or Limited Partner, has a controlling financial and legal interest (see Note 12). All significant intercompany transactions have been eliminated in the consolidation.

**New accounting pronouncements**

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases, which once implemented will result in lessees recognizing most leased assets and corresponding lease liabilities on the consolidated statements of financial position. The standard is effective January 1, 2022 for the Corporation.

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**New accounting pronouncements (continued)**

The Corporation is subject to the provisions of the Revenue from Contracts with Customers topic of the FASB ASU 2014-09. The FASB ASU 2014-09 amended the existing accounting standards for revenue recognition. The new standard (i) provides guidance for all revenue arising from contracts with customers and (ii) provides a model for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets, such as property, including real estate. The Corporation adopted the FASB ASU 2014-09 on January 1, 2019 and there was no cumulative effect recognized.

The Corporation is subject to the provisions of the Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made topic of the FASB ASU 2018-08. The new standard amended the existing accounting standards for nonreciprocal transactions (contributions). The new standard provides guidance for whether transactions should be accounted for as a contribution or as an exchange transaction subject to other guidance and (ii) determining whether a contribution is conditional. The Corporation adopted the FASB ASU 2018-08 on January 1, 2019 and there was no cumulative effect recognized.

The Corporation is subject to the provisions of the Statement of Cash Flows topic of the FASB ASU 2016-18. The FASB ASU 2016-18 amended the existing accounting standards for the Statement of Cash Flows. The new standard requires cash, cash equivalents, and restricted cash be included when reconciling the beginning of period and end of period cash in the consolidated statements of cash flows. The Corporation adopted the FASB ASU 2016-18 on January 1, 2019 and there was no cumulative effect recognized.

**Functional allocation of expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon direct expenditures incurred or based upon time spent in the activities. For the years ended December 31, 2019 and 2018, fundraising costs were insignificant to the consolidated financial statements as a whole.

**Cash**

For the consolidated statement of cash flows, all unrestricted investments with the original maturities of three months or less are cash. As of December 31, 2019 and 2018, cash consists of checking, savings and petty cash accounts.

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Investments in Operating Partnerships**

The Corporation accounts for its investments in Operating Partnerships in accordance with the equity method of accounting, under which the investment is carried at cost and is adjusted for the Corporation's share of each Operating Partnership's net income or loss and by cash distributions received. Equity in loss of each investment in Operating Partnership allocated to the Corporation is recognized to the extent of the Corporation's investment balance in each Operating Partnership unless the Corporation has guaranteed obligations of the Operating Partnership or is otherwise committed to provide further financial support. As of December 31, 2019 and 2018, the Corporation has guaranteed obligations and committed further financial support of the Operating Partnerships. Previously unrecognized equity in loss of any Operating Partnership is recognized in the year in which equity in income is earned by such Operating Partnership or additional investment is made by the Corporation. Distributions received subsequent to the elimination of an investment balance for any such Operating Partnership are recorded as other income from Operating Partnerships.

The Corporation assesses the carrying value of its investment in Operating Partnerships at least annually in the fourth quarter or whenever there are indications that a permanent impairment may have occurred. If the carrying value of an investment in an Operating Partnership exceeds the estimated value derived by management, the Corporation reduces its investment in any such Operating Partnership (unless the impairment is considered to be temporary) and includes such reduction in impairment losses.

The Corporation does not consolidate the accounts and activities of the Operating Partnerships, in which they do not have substantial participatory rights under FASB *Accounting Standards Codification* ("ASC") 810-10 and 958-810 Consolidation, because the Corporation considers the other members to have substantial participatory rights.

Additional advances and capital contributions that are not required under the terms of the Operating Partnerships' partnership agreements, but which are made to the Operating Partnerships, are recorded as investment in Operating Partnerships. Certain advances during the construction phase are considered by the Corporation to be voluntary short-term advances to the respective Operating Partnerships.

**Resident tenant receivable and bad debt policy**

Resident tenant rent charges for the current month are due on the first of the month. Resident tenants who are evicted or move out are charged with damages or cleaning fees, if applicable. Resident tenant receivables consist of amounts due for rents, damages and cleaning fees. The Corporation does not accrue interest on the resident receivable balances.



**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Resident tenant receivable and bad debt policy (continued)**

Resident receivables are charged to bad debt expense when they are determined to be uncollectible based upon a monthly review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not material to the consolidated financial statements for the years ended December 31, 2019 and 2018. Bad debts expensed for the years ended December 31, 2019 and 2018 totaled \$6,446 and \$18,602, respectively.

**Predevelopment costs**

Predevelopment costs represent costs incurred on behalf of to be formed Operating Partnerships which will operate low-income housing properties. These costs are capitalized until the point the project is deemed feasible and an Operating Partnership is formed. In the event a proposed project is abandoned, the costs are expensed.

**Property and equipment**

Land, buildings and improvements, furniture and equipment, leasehold improvements, and website design are recorded at cost. Building and improvement costs are depreciated under the straight-line method over an estimated useful life of 3 - 40 years. Furniture and equipment are depreciated under the straight-line method over an estimated useful life of 5-15 years. Lease hold improvement costs are depreciated under the straight-line method over the estimated lease period of 3 years. Website design costs are depreciated under the straight-line method over an estimated useful life of 3 years. Expenditures for maintenance and repairs are charged to expense as incurred.

The Corporation is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB ASC 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Corporation's consolidated financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. There were no impairment losses recognized during the years ended December 31, 2019 and 2018.

**Rent revenue**

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Corporation and the residents are operating leases and will be for terms of no longer than one year.

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Grant revenue**

The Corporation recognizes revenues from grants and contributions of cash and other assets upon satisfaction of the grantor or donor stipulations, which entitle the Corporation to the assets promised. These assets are recognized as either with or without restriction. Net assets - without donor restriction do not contain grantor or donor stipulations that limit their use. They are available currently for use based on the discretion of the Corporation's management. Grants and contributions that contain grantor or donor stipulations that limit their use are considered net assets - with donor restriction because they are available only for the use stipulated by the grantor or donor. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets - with donor restrictions are reclassified to net assets - without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Advertising costs**

Advertising costs related to rental properties are expensed as incurred and are included in housing management in the consolidated statements of activities.

**Unamortized costs**

The Operating Partnerships incurred costs in connection with obtaining the tax credits. These costs have been capitalized and are being amortized over the credit or compliance period.

**Debt issuance costs**

The Corporation is subject to the provisions of the Interest-Imputation of Interest topic of the FASB ASC 835-30 which requires unamortized debt issuance costs to be presented as a reduction of the outstanding debt and the amortization of the debt issuance costs to be presented as a component of interest expense. Generally accepted accounting principles require that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not material to the consolidated financial statements for the years ended December 31, 2019 and 2018.

**Property taxes**

The Corporation is exempt from some, but not all, real property taxes. For those properties that are required to pay property taxes, such taxes are expensed in the year of the lien on the property such that twelve months of expense are charged to operations each year.

**Lease**

The Corporation leases office space as the tenant under an operating lease. The provisions of the lease topic of ASC 840-20 requires rental expense to be recognized on a straight-line basis over the term of the lease; however, the effect of recognizing the expense as payments are made is immaterial to the financial statements for the years ended December 31, 2019 and 2018.

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Use of estimates in the preparation of consolidated financial statements**

The preparation of consolidated financial statements in conformity with accounting standards 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of credit risk**

The Corporation maintains various cash balances with various regional and national financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times, the account balances may exceed the FDIC insurance limits. The Corporation has not experienced any losses in such accounts. Management believes that the Corporation is not exposed to any significant credit risk on cash and cash equivalents.

The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the respective agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, if any, to comply with a change.

**Fair value**

The Corporation is subject to the provisions of the Fair Value Measurement topic of the FASB ASC 820-10 which provides guidance for assets and liabilities which are required to be measured at fair value and requires expanded disclosure for fair value measurement. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value and does not require any new fair value measurements. The Fair Value Measurement did not have a material impact on the Corporation's consolidated financial statements for the years ended December 31, 2019 and 2018.

**Accounting for uncertainty in income taxes**

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and state income tax, and has been classified as an other than private foundation. Accordingly, no provision for federal and state taxes on revenue and income has been recognized in the accompanying financial statements. Generally, the Federal and State tax returns were subject to examinations from the three years after the later of the original or extended due date, or the date filed with the applicable tax authorities.

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Accounting for uncertainty in income taxes (continued)**

Even though the Corporation is recognized as tax exempt, it still may be liable for tax on its unrelated business income (UBI). The Corporation evaluates uncertain tax positions through its review of the sources of income to identify UBI and certain other matters, including those which may affect its tax exempt status. The effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2019 and 2018, the Corporation had no uncertain tax positions requiring accrual.

The Affiliates are treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by their owners on their respective income tax returns. These entities' federal tax statuses as pass-through entities are based on their legal status as limited partnerships and limited liability companies. Accordingly, these entities are not required to take any tax positions in order to qualify as pass-through entities. These entities are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and these entities have no other tax positions which they must consider for disclosure. There has been no interest or penalties recognized in the consolidated statements of activities or consolidated statements of financial position for the years ended December 31, 2019 and 2018. Generally, the federal returns are subject to examination for three years after the later of the original or extended due date or the date filed with the applicable tax authority.

**Subsequent events**

Management performed an evaluation of the Corporation's activity through July 31, 2020, the audit report date, and has concluded that there are no subsequent events requiring disclosure through the date these consolidated financial statements were available to be issued, except as disclosed in Note 6, Note 13 and Note 15.

**Reclassification**

Certain prior year amounts have been reclassified to conform to the current year consolidated financial statement presentation. These reclassifications had no effect on the previously reported increase (decrease) in net assets of the Corporation.

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 2-RESERVES AND ESCROWS**

The Corporation maintains externally restricted reserves and escrows due to various operating agreements, regulatory agreements and/or loan documents requiring the establishment of funded reserves and escrows mostly for the replacement of property and equipment, unusual operating costs, or property taxes and insurance. The reserves and escrows must be maintained in separate accounts. Certain lenders require prior authorization for withdrawals from the reserve and escrow accounts. Reserves and escrows consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
<b>Externally restricted</b>		
Escrow reserves	\$ 58,370	\$ 50,000
Reserves for replacements	468,486	806,411
Operating reserves	<u>903,204</u>	<u>468,313</u>
	<b><u>\$ 1,430,060</u></b>	<b><u>\$ 1,324,724</u></b>

**NOTE 3-UNAMORTIZED COSTS**

Tax credit compliance and monitoring fees of \$295,506 were incurred in connection with obtaining the Operating Partnerships' low-income housing tax credits. These costs are being amortized over the term of fifteen year term of the compliance period or the ten year tax credit period using the straight-line method. For the years ended December 31, 2019 and 2018, amortization expense was \$6,627 and \$21,649, respectively, and is included in housing management on the consolidated statements of activities. As of December 31, 2019, the tax credit compliance and monitoring fees are fully amortized.

**NOTE 4-CONSTRUCTION IN PROGRESS**

At December 31, 2019 and 2018, the Corporation has six and four properties in development, respectively. The estimated costs to complete the properties in development is approximately \$192,431,497.

As of December 31, 2019 and 2018, property development costs had been incurred on the following properties:

	<u>2019</u>	<u>2018</u>
Firmin Court, L.P.	\$ 2,898,298	\$ 1,468,560
The Brine, L.P.	3,463,281	440,567
Brine Residential, L.P.	-	8,705
Watts Works, L.P.	307,217	28,922
NoHo 5050, L.P.	553,900	-
1043 Harvard, L.P.	<u>64,147</u>	<u>-</u>
	<b><u>\$ 7,286,843</u></b>	<b><u>\$ 1,946,754</u></b>

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 5-PREDEVELOPMENT COSTS**

The Corporation has incurred costs related to the predevelopment of to be formed Operating Partnerships. As of December 31, 2019 and 2018, \$184,030 and \$150,000 has been incurred, respectively. During the year ended December 31, 2019, \$150,000 of previously incurred land deposits were refunded to the Corporation. Additionally, during the years ended December 31, 2019 and 2018, \$27,845 and \$82,590 of previously incurred predevelopment costs related to projects which are no longer feasible were expensed, and \$-0- and \$114,197 of predevelopment costs were transferred to the property and equipment of newly formed Operating Partnerships, all respectively.

**NOTE 6-INVESTMENTS IN OPERATING PARTNERSHIPS**

The Corporation owns the Co-General Partner or Development General Partner interest in the following entities, which were formed to acquire, rehabilitate, construct, own, and operate low-income residential rental housing properties.

<u>Operating Partnership</u>	<u>DBA Name</u>	<u>Ownership Interest %</u>	<u>Residential Units</u>
St. Anne's Transitional Housing and Childcare Center, L.P.	St. Anne's Maternity Home	0.005%	40
Pico New Hampshire United Methodist Housing, L.P.	Casa Shalom	0.51%	30
JW Apartments, L.P.	James Woods Apartments	0.0034%	61
LDK Senior Apartments, L.P.	LDK Senior Apartments	0.0024%	67

FASB ASC 958-810 requires consolidation of the Operating Partnerships unless other partners in these Operating Partnerships have substantive participating rights. The Corporation has determined that the other Co-General Partner or Managing General Partner in these Operating Partnerships has substantive participating rights, and therefor has not consolidated these entities.

As of the audit report date, the Corporation has transferred its interest in St. Anne's Transitional Housing and Childcare Center, L.P. to the Managing General Partner

The Corporation's investments in Operating Partnerships after elimination of investments in which the Corporation exhibits substantive participating rights is as follows:

	<u>2019</u>	<u>2018</u>
<b>Investment at January 1</b>	\$ 23,290	\$ 23,363
Corporation's share of losses for the year	<u>( 74)</u>	<u>( 73)</u>
<b>Investment at December 31</b>	<u><b>\$ 23,216</b></u>	<u><b>\$ 23,290</b></u>

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 6-INVESTMENTS IN OPERATING PARTNERSHIPS (CONTINUED)**

The summarized combined balance sheets of the Operating Partnerships and the summarized combined statements of operations are as follows:

**COMBINED BALANCE SHEETS**

**ASSETS**

	<u>2019</u>	<u>2018</u>
Property and equipment, net	\$ 49,502,310	\$ 50,939,071
Cash	1,179,346	1,051,290
Restricted cash and reserves	1,413,280	1,505,158
Other assets	<u>297,425</u>	<u>336,749</u>
<b>Total assets</b>	<b><u>\$52,392,361</u></b>	<b><u>\$53,832,268</u></b>

**LIABILITIES AND PARTNERS' EQUITY (DEFICIT)**

	<u>2019</u>	<u>2018</u>
Mortgage notes payable and accrued interest	\$ 46,458,115	\$ 45,154,295
Accounts payable and accrued expenses	148,053	1,084,330
Resident security deposits	<u>160,188</u>	<u>156,009</u>
<b>Total liabilities</b>	<b>46,766,356</b>	<b>46,394,634</b>
<b>Partners' equity (deficit)</b>	<b><u>5,626,005</u></b>	<b><u>7,437,634</u></b>
<b>Total liabilities and Partners' equity (deficit)</b>	<b><u>\$52,392,361</u></b>	<b><u>\$53,832,268</u></b>

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 6-INVESTMENTS IN OPERATING PARTNERSHIPS (CONTINUED)**

**COMBINED STATEMENTS OF OPERATIONS**

	<u>2019</u>	<u>2018</u>
<b>Revenue</b>		
Rents	\$ 1,920,788	\$ 1,921,147
Interest	15,031	1,015
Other	<u>20,359</u>	<u>16,921</u>
<b>Total revenue</b>	<u><b>1,956,178</b></u>	<u><b>1,939,083</b></u>
<b>Expenses</b>		
Administrative	543,507	542,444
Operating and maintenance	710,819	744,847
Taxes and insurance	267,937	294,013
Interest	759,833	764,246
Depreciation and amortization	<u>1,485,711</u>	<u>1,506,965</u>
<b>Total expenses</b>	<u><b>3,767,807</b></u>	<u><b>3,852,515</b></u>
<b>Net income (loss)</b>	<u><b>\$( 1,811,629)</b></u>	<u><b>\$(1,913,432)</b></u>

The Operating Partnerships have mortgage notes and loans payable with various lenders. The property and equipment of the various Operating Partnerships are pledged as collateral on the mortgage notes and loans payable. The various Operating Partnerships hold reserves required under their respective loan agreements or Partnership Agreements.

**NOTE 7-LONG TERM DEBT**

The Corporation and Affiliates have entered into debt agreements with various financial institutions and governmental agencies to fund acquisitions, pre-development costs, construction, and normal operations. Outstanding balances and terms of long term debt as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
<b>Decro Epsilon</b>		
Mortgage note payable to First Bridge Lending in the amount of \$1,500,000; interest at 8.50% per annum; secured by a deed of trust; monthly payments of \$5,312.50; matures January 1, 2020. This loan was paid in full during the year ended December 31, 2019.	\$ -	\$ 750,000



**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 7-LONG TERM DEBT**

	<u>2019</u>	<u>2018</u>
<b>Decro Epsilon (continued)</b>		
Mortgage note payable to the City of Los Angeles in the amount of \$477,542; interest at 0.00%; secured by a deed of trust; payments from available cash flow; matures January 1, 2025 or upon sale or refinance. This loan was refinanced during the year ended December 31, 2018 from proceeds of the First Bridge Lending mortgage note above.	\$ -	\$ -
Mortgage note payable to JP Morgan Chase, N.A. in the amount of \$1,500,000; interest at 3.4075%; secured by a deed of trust; monthly payments of \$3,607.19; matured April 10, 2018. This loan was paid in full during the year ended December 31, 2018.	-	-
<b>Decro Orion Apartments, L.P.</b>		
Mortgage note payable to US Bank, N.A in the amount of \$5,700,000; interest at 7.00% per annum; secured by a deed of trust; monthly payments of \$1,663.26; matures November 1, 2019.	217,427	221,787
Note payable to the City of Los Angeles in the amount of \$2,300,000; simple interest at 3.00% per annum; secured by a deed of trust; payments from available cash flow; matures May 13, 2064.	2,300,000	2,300,000
Note payable to Los Angeles Housing and Community Investment Department in the amount of \$3,125,520; simple interest at 5.00% per annum; secured by a deed of trust; payments of from available cash flow; matures October 25, 2062.	3,125,520	3,125,520
<b>Decro Osborne Apartments, L.P.</b>		
Mortgage note payable to US Bank, N.A in the amount of \$1,050,000; interest at 6.12% per annum; secured by a deed of trust; monthly payments of \$6,467.59; matures April 1, 2024.	843,479	867,925

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 7-LONG TERM DEBT (CONTINUED)**

	<u>2019</u>	<u>2018</u>
<b>Decro Osborne Apartments, L.P. (continued)</b>		
Note payable to the California Department of Housing and Community Development in the amount of \$3,318,059; simple interest at 3.00% per annum; secured by a deed of trust; payments from available cash flow; matures September 9, 2063.	\$ 3,318,059	\$ 3,318,059
Note payable to the Los Angeles Housing and Community Investment Department in the amount of \$2,400,000; simple interest at 3.00% per annum; secured by a deed of trust; principal and interest due at maturity; matures May 30, 2063.	2,400,000	2,400,000
Note payable to the Los Angeles Housing and Community Investment Department in the amount of \$2,754,000; simple interest at 5.00% per annum; secured by a deed of trust; principal and interest due at maturity; matures October 3, 2061.	2,754,000	2,754,000
<b>Peppertree of Banning, L.P.</b>		
Mortgage note payable to the California Community Reinvestment Corporation in the amount of \$2,030,000; interest at 7.15% per annum; secured by a deed of trust; monthly payments of \$13,711; matures April 1, 2023.	1,529,815	1,582,884
Note payable to Sinanian Development, Inc. in the amount of \$400,000; compounding interest at 10.00% per annum; payments from available cash flow; matures April 1, 2034.	400,000	400,000
Note payable to HC Housing, LLC, an affiliate of the Limited Partner of Peppertree of Banning, L.P., in the amount of \$1,115,000; compounding interest at 8.00% per annum; payments from available cash flow; matured December 31, 2018. During the year ended December 31, 2018, this loan was refinanced from the proceeds of the note payable to Multi Housing Tax Credit Partners XXXVI.	-	-

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 7-LONG TERM DEBT (CONTINUED)**

	<u>2019</u>	<u>2018</u>
<b>Peppertree of Banning, L.P. (continued)</b>		
Note payable to Multi Housing Tax Credit Partners XXXVI, the Limited Partner of Peppertree of Banning, L.P., in the amount of \$1,011,909; compounding interest at 8.00% per annum, which was amended to 10% per annum during the year ended December 31, 2019; payments from available cash flow; matures December 31, 2048.	\$ 927,269	\$ 1,011,910
<b>Barstow Suncrest Apartments, L.P.</b>		
Mortgage note payable to California Community Reinvestment Corporation in the amount of \$2,400,000; interest at 7.15% per annum; secured by a deed of trust; monthly payments of \$16,209; matures June 1, 2023.	1,819,420	1,881,421
Note payable to Sinanian Development, Inc., Inc in the amount of \$160,000; compounding interest at 6.00% per annum; payments from available cash flow; matures December 1, 2034.	160,000	160,000
Note payable to Multi Housing Tax Credit Partners XXXVI, the Limited Partner of Barstow Suncrest Apartments, L.P., in the amount of \$991,000; simple interest at 10.00% per annum; payments from available cash flow.	991,000	898,000
Note payable to Multi Housing Tax Credit Partners XXXVI, the Limited Partner of Barstow Suncrest Apartments, L.P., in the amount of \$286,027; interest at 0.00%; payments from available cash flow; matures March 1, 2046.	286,027	286,027
<b>Valle Verde of Orange Cove, L.P.</b>		
Mortgage note payable to Chase Commercial Term Lending in the amount of \$1,968,000; interest at 6.96% per annum; secured by a deed of trust; monthly payments of \$13,040; matures December 1, 2022.	1,454,430	1,507,657
Note payable to R&O Construction, Inc. in the amount of \$285,000; compounding interest at 10.00% per annum; payments from available cash flow; matures December 15, 2034.	285,000	285,000

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 7-LONG TERM DEBT (CONTINUED)**

	<u>2019</u>	<u>2018</u>
<b>Valle Verde of Orange Cove, L.P. (continued)</b>		
Note payable to SHS Guaranteed II, L.P., the Limited Partner of Valle Verde of Orange Cove, L.P., in the amount of \$975,730; simple interest at 8.00% per annum, which was amended to 10% per annum during the year ended December 31, 2019; payments from available cash flow; matures December 1, 2041.	\$ 975,730	\$ 975,730
Note payable to SHS Guaranteed II, L.P., the Limited Partner of Valle Verde of Orange Cove, L.P., in the amount of \$208,630; interest at 0.00%, which was amended to 10% per annum during the year ended December 31, 2019; payments from available cash flow.	208,630	208,630
<b>Firmin Court, L.P.</b>		
Note payable to New Generation Fund, LLC in the amount of \$3,156,000; interest at 5.19% per annum for the first year and the greater of 4.87 or 2.42% plus LIBOR for the remaining term; secured by a deed of trust; monthly interest payments; matures April 25, 2020 or upon closing of permanent financing.	3,097,689	2,897,071
Note payable to Enterprise Community Investment, Inc. in the amount of \$750,000; interest at 2% per annum; secured by a deed of trust; due at maturity; matures June 23, 2020 or upon closing with a Limited Partner.	750,000	-
<b>Brine Residential, L.P.</b>		
Note payable to FJM Private Mortgage Fund, LLC in the amount of \$330,000; simple interest at 8.50%; secured by a deed of trust; monthly interest payments of \$2,338; matures April 1, 2019. This loan was paid in full during the year ended December 31, 2019.	-	330,000
<b>Brandywood Holdings, L.L.L.P.</b>		
Mortgage note payable to Centerline Mortgage Capital, Inc. in the amount of \$2,780,000; interest at 4.05%; secured by a deed of trust; monthly payments of \$13,352; matures July 1, 2025.	2,557,984	2,611,972

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 7-LONG TERM DEBT (CONTINUED)**

	<u>2019</u>	<u>2018</u>
<b>Decro Nordhoff, L.P.</b>		
Mortgage note payable to the City of Los Angeles in the amount of \$1,330,000; interest at 0.00%; secured by a deed of trust; payments from available cash flow; matures December 6, 2025.	\$ 1,168,323	\$ 1,185,382
Mortgage note payable to the JP Morgan Chase Bank, N.A. in the amount of \$660,000; interest at 6.40%; secured by a deed of trust; monthly payments of \$6,579; matures November 30, 2025.	391,452	443,171
<b>Saticoy Street Apartments</b>		
Mortgage note payable to PNC Bank, National Association in the amount of \$1,867,000; simple interest at 3.70%; secured by a deed of trust; monthly principal and interest payments of \$8,593; matures November 1, 2029.	1,864,163	-
<b>The Brine, L.P.</b>		
Note payable to New Generation Fund, LLC in the amount of \$9,220,575; interest at 4% plus LIBOR; secured by a deed of trust; monthly interest payments; matures February 1, 2021 or upon closing of permanent financing.	8,193,546	-
Note payable to Local Initiatives Support Corporation in the amount of \$3,690,000, which was amended to \$3,895,000; compounding interest at 6%; secured by a deed of trust; monthly interest payments; matures February 28, 2021 or upon closing of construction or permanent financing.	3,690,000	-
<b>Watts Works, L.P.</b>		
Note payable to Arixia Secured Income Fund, LLC in the amount of \$200,000; interest at 8.75%; secured by a deed of trust; monthly interest payments; matures June 1, 2020	120,000	-

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 7-LONG TERM DEBT (CONTINUED)**

	<u>2019</u>	<u>2018</u>
<b>NoHo 5050, L.P.</b>		
Note payable to Supportive Housing Solutions Fund, LLC in the amount of \$2,550,000; interest at 6%; secured by a deed of trust; monthly interest payments; matures May 16, 2021 or upon closing of construction or permanent financing.	\$ 2,342,246	\$ -
Total debt	<b>48,171,209</b>	<b>32,402,146</b>
Less current maturities	<u>( 4,323,666)</u>	<u>( 633,029)</u>
Long term debt	<b><u>\$43,847,543</u></b>	<b><u>\$31,769,117</u></b>

Principal payments of long term debt for the next five years and thereafter are approximately as follows:

2020	\$ 4,323,666
2021	14,604,952
2022	1,674,027
2023	3,156,653
2024	216,579
Thereafter	<u>24,195,332</u>
	<b>48,171,209</b>
Less: Unamortized debt issuance costs, net	<u>( 682,789)</u>
	<b><u>\$47,488,420</u></b>

Debt issuance costs were incurred in connection with the long-term debt. These costs are being amortized using the straight-line method over the term of the long-term debt. Amortization expense for the years ended December 31, 2019 and 2018 was \$68,553 and \$43,180, respectively, and is included in housing management on the consolidated statements of activities. Debt issuance costs net of accumulated amortization is \$682,789 and \$679,131 as of December 31, 2019 and 2018, respectively.

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 7-LONG TERM DEBT (CONTINUED)**

Estimated amortization expense for each of the next five years and thereafter is as follows:

2020	\$	50,401
2021		50,401
2022		50,401
2023		50,401
2024		50,401
Thereafter		<u>430,784</u>
		<u><b>\$ 682,789</b></u>

Interest has not been imputed on any of the above mortgages that carry below-market rates as they are payable to governmental entities and carry legal restrictions. The restrictions require the Corporation to use the property for low income housing, as defined by the mortgages' regulatory agreements or other restriction agreements. Certain mortgages provide for the deferral of interest payments. Deferred interest and accrued interest on long term debt totaled \$10,168,867 and \$8,948,994 at December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, the Corporation has incurred interest of \$2,733,346 and \$1,752,791, of which \$876,911 and \$111,516 is capitalized into construction in progress, \$1,856,435 and \$1,641,275 was expensed, and \$1,513,473 and \$795,173 was paid, all respectively. Additionally, during the year ended December 31, 2018, \$274,753 of previously accrued interest was capitalized into long term debt.

**NOTE 8-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Corporation manages its liquidity by completing annual operating budgets that provide sufficient funds for general expenditures in meeting liabilities and other obligations as they become due and maintains cash and cash equivalents that may be drawn upon as needed during the year to manage cash flow and make necessary expenditures. The Corporation's cash and cash equivalents is available within one year of the consolidated statement of financial position date to meet cash needs for general expenditures.

There are funds (resident security deposits, reserves and escrows) established by the lenders and the Corporation that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 8-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)**

The following reflects the organizations financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use within one year because of internal or external designations. Amounts not available include amounts set aside as required by the various lenders, grantors or Board of Directors. Some of these amounts could be drawn upon if needed with approval from the various lenders or Board of Directors.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,183,433	\$ 3,250,077
Accounts receivable - residents, net	59,550	27,740
Accounts receivable - operations	94,300	-
Prepaid expenses	<u>83,065</u>	<u>83,929</u>
<b>Total financial assets</b>	<b>3,420,348</b>	<b>3,361,746</b>
<b>Externally-imposed restrictions</b>		
Reserves and escrows	( 1,430,060)	( 1,324,724)
Cash - donor restrictions	( 17,945)	-
<b>Internal designations</b>		
Resident security deposits	<u>( 272,526)</u>	<u>( 266,649)</u>
	<b><u>\$ 1,699,817</u></b>	<b><u>\$ 1,770,373</u></b>

**NOTE 9-DUE FROM DECRO LONG BEACH, L.P.**

In prior years, the Corporation, as the guarantor of Decro Long Beach, L.P. (a former related party), advanced funds for the construction of the property owned by Decro Long Beach, L.P. At December 31, 2019 and 2018, \$1,659,472 remains receivable from annual cash flow of the property. As of the audit report date, the Corporation is in dispute with Decro Long Beach, L.P. regarding the repayment of this receivable. Management anticipates the dispute will be settled and has estimated that all amounts will be received. As such, no allowance for doubtful accounts has been recorded.

**NOTE 10-OPERATING LEASES**

The Corporation leases office space under various operating leases. Rent expense was \$71,999 for the years ended December 31, 2019 and 2018. Future minimum lease payments under the non-cancellable operating leases are as follows:

2020	\$ 92,156
2021	<u>31,020</u>
	<b><u>\$ 123,176</u></b>



**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 11-GRANT REVENUE**

During the year ended December 31, 2019, the Corporation was awarded funds from the United Way of Greater Los Angeles (the "United Way") in the form of a Home for Good Grant of \$250,000 for the purpose of developing permanent supportive housing. Any portion of the grant funds not committed to the purposes of the grant must be returned. There are certain milestones including obtaining property design approval, securing financing commitments, and developing a sustainable pro forma for developing the property which must be met in order for the Corporation to be entitled to the grant funds. Management has achieved all the milestones required to entitle the Corporation to the grant funds and has recognized the \$250,000 of grant funds as revenue during the year ended December 31, 2019. During the year ended and as of December 31, 2019, grant funds totaling \$232,055 were used in accordance with the requirements of the grant. At December 31, 2019, grant funds totaling \$17,945 remain and are to be utilized in future years in accordance with requirements of the award. These funds are included in net assets - with donor restrictions on the statements of financial position.

Additionally, the grant provides up to \$250,000 grant funds to support development costs such as site and acquisition deposits. These funds must be repaid once the development property receives construction financing. During the year ended December 31, 2019, \$150,000 has been advanced to the Corporation. At December 31, 2019, \$150,000 remains payable to the United Way.

**NOTE 12-CONSTRUCTION CONTRACTS**

The Corporation executed an architect contract with an unrelated party to provide architect services at Firmin Court, L.P. dated November 29, 2018 in the original amount of \$908,253. As of December 31, 2019 and 2018, \$867,999 and \$562,721 has been incurred and included in construction in progress, respectively. At December 31, 2019 and 2018, \$63,603 and \$123,745 remains payable, respectively.

The Corporation executed an architect contract with an unrelated party to provide architect services at Brine, L.P. dated September 3, 2019 in the original amount of \$1,052,000. As of December 31, 2019 and 2018, \$523,619 and \$94,638 has been incurred, respectively. At December 31, 2019 and 2018, \$202,709 and \$-0- remains payable, respectively.

The Corporation executed an architect contract with an unrelated party to provide architect services for Noho 5050, L.P. dated October 23, 2019 in the original amount of \$585,000. As of December 31, 2019 and 2018, \$149,444 and \$-0- has been incurred, respectively. At December 31, 2019 and 2018, \$88,019 and \$-0- remains payable, respectively.

The Corporation executed an architect contract with an unrelated party to provide architect services for Watts Works, L.P. dated August 26, 2019 in the original amount of \$116,500. As of December 31, 2019 and 2018, \$93,128 and \$-0- has been incurred, respectively. At December 31, 2019 and 2018, \$8,381 and \$-0- remains payable, respectively.

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 13-COMMITMENTS AND CONTINGENCIES**

The Corporation has provided guarantees in the normal course of business in its role as general partner and other business activities. These guarantees relate to, but are not limited to, construction completion, delivery of tax credits to the limited partner, funding operating deficits, and maintaining compliance with various regulatory agreements and/or Section 42 of the Internal Revenue Code. The amount and length of the guarantees vary by each respective agreement.

In connection with the development of the Operating Partnerships, The Corporation has the option to purchase the properties at the close of the properties' 15-year compliance periods.

**COVID-19**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Corporation is unable to determine if it will have a material impact to its operations.

**NOTE 14-SUBSEQUENT EVENTS**

Decro Management

As of the audit report date, Decro Management has entered into a loan agreement secured by a deed of trust with RTC VI, LLC in the amount \$600,000 at an interest rate of 10.5% maturing April 1, 2021.

Firmin Court, L.P.

As of the audit report date, the Corporation has amended the Partnership Agreement for Firmin Court, L.P. to admit Wincopin Circle, LLLP as the Limited Partner with a 99.99% ownership interest. Additionally, Firmin Court, L.P. has entered into a loan agreements secured by a deed of trust with CIT Bank in the amount \$22,200,000 of Series 2020A Multifamily Housing Revenue Bonds at an interest rate of LIBOR + 1.85% during the construction period and 3.80% during the term period to mature 15 years after the conversion to the term period; and a loan with City of Los Angeles in the amount \$11,700,000 at 3% interest maturing June 23, 2077. Firmin Court, L.P. has also entered into a development agreement with the Corporation in the amount of \$4,809,200 to provide development services and a construction contract with an unrelated third party in the amount of \$20,231,769 to provide construction services.

Watts Works, L.P.

As of the audit report date, Watts Works, L.P. entered into loan agreements secured by a deed of trust with Los Angeles County Development Authority in the amount \$2,640,000 at an interest rate of 0% to mature June 23, 2077; Genesis LA Economic Growth Corporation in the amount of \$2,800,000 at an interest rate of 6.5% to mature on June 30, 2021; and the City of Los Angeles in the amount \$2,400,000 at an interest rate of 3% to mature June 29, 2077.

**DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 14-SUBSEQUENT EVENTS (CONTINUED)**

Noho 5050, L.P.

As of the audit report date, Noho 5050, L.P. entered into a loan agreement secured by a deed of trust with Genesis LA Economic Growth Corporation in the amount \$533,000 at an interest rate of 6.5% to mature June 30, 2021.

1043 Harvard, LP

As of the audit report date, 1043 Harvard, L.P. has entered into a loan agreement secured by a deed of trust with Supportive Housing Solutions Fund LLC in the amount \$4,550,000 at an interest rate of 6% to mature January 30, 2022.

16015 Sherman, L.P.

As of the audit report date, the Corporation has formed Decro Sherman, LLC which is 100% owned by the Corporation. This entity and the Corporation have an ownership interest of 45.0055% in 16015 Sherman, L.P., which was formed to own and operate a low-income housing property. Additionally, 16015 Sherman, L.P. entered into a loan agreement secured by a deed of trust with Local Initiatives Support Corporation in the amount \$2,860,000 at an interest rate of 5.66% to mature October 1, 2021. The Corporation has also entered into an architect agreement with an unrelated third party in the amount of \$211,600 to provide architect services.

11604 Vanowen, L.P.

As of the audit report date, the Corporation has formed Decro Vanowen, LLC, which is 100% owned by the Corporation. This entity and the Corporation have an ownership interest of 45.0004% in 11604 Vanowen, L.P., which was formed to own and operate a low-income housing property. Additionally, 11604 Vanowen, L.P. entered into a loan agreements secured by a deed of trust with New Generation Fund, LLC in the amount \$2,945,000 at an interest rate of LIBOR + 4% to mature the earlier of construction financing or December 1, 2021 and with Corporation for Supportive Housing in the amount \$500,000 at an interest rate of 6% to mature the earlier of construction financing or September 9, 2022. The Corporation has also entered into an architect agreement with an unrelated third party in the amount of \$231,700 to provide architect services.

DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATING AND COMBINING SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS  
YEAR ENDED DECEMBER 31, 2019

ASSETS	Decro Corporation	Decro Alpha	Decro Beta	Decro Chi	Decro Epsilon	Decro Kappa	Decro Management	Decro Beta Dunwoodie, LLC	Decro Orion Apartments, L.P.	Decro Osborne Apartments, L.P.	Peppertree of Banning, L.P.	Barstow Suncrest Apartments, L.P.
<b>Current assets</b>												
Cash and cash equivalents	\$ 253,652	\$ 5,044	\$ 27,858	\$ 10,008	\$ 45,597	\$ 21,508	\$ 2,120	\$ -	\$ 483,143	\$ 637,307	\$ 353,191	\$ 51,914
Accounts receivable - residents, net	-	-	-	-	-	-	-	-	-	3,686	10,123	12,977
Accounts receivable - operations	25,873	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable - related parties	6,028,031	-	-	27,521	639,700	15,840	-	-	-	-	-	-
Prepaid expenses	0	-	-	-	-	-	-	-	4,665	12,811	6,186	6,186
<b>Total current assets</b>	<b>6,307,556</b>	<b>5,044</b>	<b>27,858</b>	<b>37,529</b>	<b>685,297</b>	<b>37,348</b>	<b>2,120</b>	<b>-</b>	<b>487,808</b>	<b>653,804</b>	<b>369,500</b>	<b>71,077</b>
<b>Property and equipment, net</b>	<b>28,991</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,067,836</b>	<b>-</b>	<b>9,993,204</b>	<b>12,138,197</b>	<b>6,509,063</b>	<b>6,261,571</b>
<b>Other assets</b>												
Predevelopment costs	184,030	-	-	-	-	-	-	-	-	-	-	-
Office lease deposit	18,818	-	-	-	-	-	-	-	-	-	-	-
Investments in Operating Partnerships	379,919	23,967	(404,873)	(141,768)	(919,471)	923,823	-	-	-	-	-	-
Due from Decro Long Beach, L.P.	-	1,659,472	-	-	-	-	-	-	-	-	-	-
Unamortized costs, net	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous other assets	-	-	-	-	-	-	-	-	-	-	-	920
<b>Total other assets</b>	<b>582,767</b>	<b>1,683,439</b>	<b>(404,873)</b>	<b>(141,768)</b>	<b>(919,471)</b>	<b>923,823</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>920</b>
<b>Total assets</b>	<b>\$6,919,314</b>	<b>\$1,688,483</b>	<b>\$ (377,015)</b>	<b>\$ (104,239)</b>	<b>\$ (234,174)</b>	<b>\$ 961,171</b>	<b>\$ 1,069,956</b>	<b>\$ -</b>	<b>\$ 10,481,012</b>	<b>\$ 12,792,001</b>	<b>\$ 6,878,563</b>	<b>\$ 6,333,568</b>
<b>LIABILITIES AND NET ASSETS</b>												
<b>Current liabilities</b>												
Accounts payable and accrued expenses	\$ 148,497	\$ 1,001	\$ 866	\$ -	\$ -	\$ 850	\$ -	\$ -	\$ 18,935	\$ 24,121	\$ 44,620	\$ 127,606
Accounts payable - related parties	-	-	-	-	-	-	1,068,086	-	15,000	198,972	192,255	256,635
Accrued payroll	69,169	-	-	-	-	-	-	-	-	-	-	-
Accrued interest payable - current	-	-	-	-	-	-	-	-	1,311	4,445	9,142	10,841
Prepaid rent	-	-	-	-	-	-	-	-	-	126	236	2,375
Current maturities of long term debt	-	-	-	-	-	-	-	-	4,636	25,865	56,991	66,583
<b>Total current liabilities</b>	<b>217,666</b>	<b>1,001</b>	<b>866</b>	<b>-</b>	<b>-</b>	<b>850</b>	<b>1,068,086</b>	<b>-</b>	<b>39,882</b>	<b>253,529</b>	<b>303,244</b>	<b>464,040</b>
<b>Resident security deposits</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,059</b>	<b>40,234</b>	<b>51,297</b>	<b>40,463</b>
<b>Long term liabilities</b>												
Due to United Way	150,000	-	-	-	-	-	-	-	-	-	-	-
Accrued interest payable, net of current portion	-	-	-	-	-	-	-	-	2,269,920	3,719,066	1,490,627	723,074
Long term debt, net of current maturities	-	-	-	-	-	-	-	-	5,638,311	9,289,673	2,800,093	3,189,864
Less: unamortized debt issuance costs, net	-	-	-	-	-	-	-	-	(84,562)	(231,835)	(85,138)	(89,011)
<b>Total long term liabilities</b>	<b>150,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,823,669</b>	<b>12,776,904</b>	<b>4,205,582</b>	<b>3,823,927</b>
<b>Total liabilities</b>	<b>367,666</b>	<b>1,001</b>	<b>866</b>	<b>-</b>	<b>-</b>	<b>850</b>	<b>1,068,086</b>	<b>-</b>	<b>7,897,610</b>	<b>13,070,667</b>	<b>4,560,123</b>	<b>4,328,430</b>
<b>Net assets</b>	<b>6,551,648</b>	<b>1,687,482</b>	<b>(377,881)</b>	<b>(104,239)</b>	<b>(234,174)</b>	<b>960,321</b>	<b>1,870</b>	<b>-</b>	<b>2,583,402</b>	<b>(278,666)</b>	<b>2,318,440</b>	<b>2,005,138</b>
	<b>\$6,919,314</b>	<b>\$1,688,483</b>	<b>\$ (377,015)</b>	<b>\$ (104,239)</b>	<b>\$ (234,174)</b>	<b>\$ 961,171</b>	<b>\$ 1,069,956</b>	<b>\$ -</b>	<b>\$ 10,481,012</b>	<b>\$ 12,792,001</b>	<b>\$ 6,878,563</b>	<b>\$ 6,333,568</b>

DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATING AND COMBINING SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019

ASSETS	Valle Verde of Orange Cove, L.P.	Brandywood Holdings, L.L.L.P.	Decro Nordhoff, L.P.	Saticoy Apartments	Decro Firmin, LLC	Firmin Court, L.P.	The Brine, L.P.	Brine Residential, L.P.	Watts Works, L.P.	Noho 5050, L.P.	1043 Harvard, L.P.	Eliminations	Total
<b>Current assets</b>													
Cash and cash equivalents	\$ 112,296	\$ 158,400	\$ 397,089	\$ 272,839	\$ -	\$ 53,943	\$ 124,059	\$ -	\$ 1,497	\$ 171,968	\$ -	\$ -	\$ 3,183,433
Accounts receivable - residents, net	6,438	17,682	50	2,410	-	-	-	-	6,184	-	-	-	59,550
Accounts receivable - operations	-	-	-	-	-	-	52,873	-	-	15,554	-	-	94,300
Accounts receivable - related parties	-	-	-	-	-	-	-	-	-	-	-	(6,711,092)	-
Prepaid expenses	12,750	17,621	10,668	12,178	-	-	-	-	-	-	-	-	83,065
<b>Total current assets</b>	<b>131,484</b>	<b>193,703</b>	<b>407,807</b>	<b>287,427</b>	<b>-</b>	<b>53,943</b>	<b>176,932</b>	<b>-</b>	<b>7,681</b>	<b>187,522</b>	<b>-</b>	<b>(6,711,092)</b>	<b>3,420,348</b>
<b>Property and equipment, net</b>	<b>6,114,010</b>	<b>1,267,521</b>	<b>2,023,636</b>	<b>632,086</b>	<b>318,380</b>	<b>5,540,000</b>	<b>15,181,658</b>	<b>-</b>	<b>669,006</b>	<b>2,374,602</b>	<b>177,147</b>	<b>-</b>	<b>70,296,908</b>
<b>Other assets</b>													
Predevelopment costs	-	-	-	-	-	-	-	-	-	-	-	-	184,030
Office lease deposit	-	-	-	-	-	-	-	-	-	-	-	-	18,818
Investments in Operating Partnerships	-	-	-	-	-	-	-	-	-	-	-	161,619	23,216
Due from Decro Long Beach, L.P.	-	-	-	-	-	-	-	-	-	-	-	-	1,659,472
Unamortized costs, net	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous other assets	1,480	7,634	-	-	-	-	-	-	-	-	-	-	10,034
<b>Total other assets</b>	<b>1,480</b>	<b>7,634</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>161,619</b>	<b>1,895,570</b>
<b>Total assets</b>	<b>\$ 6,246,974</b>	<b>\$ 1,468,858</b>	<b>\$ 2,431,443</b>	<b>\$ 919,513</b>	<b>\$ 318,380</b>	<b>\$ 5,593,943</b>	<b>\$ 15,358,590</b>	<b>\$ -</b>	<b>\$ 676,687</b>	<b>\$ 2,562,124</b>	<b>\$ 177,147</b>	<b>\$ (6,549,473)</b>	<b>\$ 75,612,826</b>
<b>LIABILITIES AND NET ASSETS</b>													
<b>Current liabilities</b>													
Accounts payable and accrued expenses	\$ 25,086	\$ 13,582	\$ 22,039	\$ 3,436	\$ -	\$ 157,288	\$ 642,265	\$ -	\$ 75,539	\$ 117,181	\$ 1,226	\$ -	\$ 1,424,138
Accounts payable - related parties	234,100	-	43,361	19,500	319,080	1,560,258	2,583,585	-	104,612	77,649	175,921	(6,711,092)	137,922
Accrued payroll	-	-	-	-	-	-	-	-	-	-	-	-	69,169
Accrued interest payable - current	8,436	8,921	2,157	5,939	-	13,779	67,529	-	-	5,646	-	-	138,146
Prepaid rent	590	3,084	339	38	-	-	-	-	-	-	-	-	6,788
Current maturities of long term debt	57,053	55,767	55,510	33,572	-	3,847,689	-	-	120,000	-	-	-	4,323,666
<b>Total current liabilities</b>	<b>325,265</b>	<b>81,354</b>	<b>123,406</b>	<b>62,485</b>	<b>319,080</b>	<b>5,579,014</b>	<b>3,293,379</b>	<b>-</b>	<b>300,151</b>	<b>200,476</b>	<b>177,147</b>	<b>(6,711,092)</b>	<b>6,099,829</b>
<b>Resident security deposits</b>	<b>33,734</b>	<b>24,885</b>	<b>28,186</b>	<b>16,919</b>	<b>-</b>	<b>-</b>	<b>4,100</b>	<b>-</b>	<b>-</b>	<b>4,050</b>	<b>-</b>	<b>-</b>	<b>277,927</b>
<b>Long term liabilities</b>													
Due to United Way	-	-	-	-	-	-	-	-	-	-	-	-	150,000
Accrued interest payable, net of current portion	1,828,034	-	-	-	-	-	-	-	-	-	-	-	10,030,721
Long term debt, net of current maturities	2,866,737	2,502,217	1,504,265	1,830,591	-	-	11,883,546	-	-	2,342,246	-	-	43,847,543
Less: unamortized debt issuance costs, net	(58,097)	(56,669)	(6,469)	(71,008)	-	-	-	-	-	-	-	-	(682,789)
<b>Total long term liabilities</b>	<b>4,636,674</b>	<b>2,445,548</b>	<b>1,497,796</b>	<b>1,759,583</b>	<b>-</b>	<b>-</b>	<b>11,883,546</b>	<b>-</b>	<b>-</b>	<b>2,342,246</b>	<b>-</b>	<b>-</b>	<b>53,345,475</b>
<b>Total liabilities</b>	<b>4,995,673</b>	<b>2,551,787</b>	<b>1,649,388</b>	<b>1,838,987</b>	<b>319,080</b>	<b>5,579,014</b>	<b>15,181,025</b>	<b>-</b>	<b>300,151</b>	<b>2,546,772</b>	<b>177,147</b>	<b>(6,711,092)</b>	<b>59,723,231</b>
<b>Net assets</b>	<b>1,251,301</b>	<b>(1,082,929)</b>	<b>782,055</b>	<b>(919,474)</b>	<b>(700)</b>	<b>14,929</b>	<b>177,565</b>	<b>-</b>	<b>376,536</b>	<b>15,352</b>	<b>-</b>	<b>161,619</b>	<b>15,889,595</b>
	<b>\$ 6,246,974</b>	<b>\$ 1,468,858</b>	<b>\$ 2,431,443</b>	<b>\$ 919,513</b>	<b>\$ 318,380</b>	<b>\$ 5,593,943</b>	<b>\$ 15,358,590</b>	<b>\$ -</b>	<b>\$ 676,687</b>	<b>\$ 2,562,124</b>	<b>\$ 177,147</b>	<b>\$ (6,549,473)</b>	<b>\$ 75,612,826</b>

DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATING AND COMBINING SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2018

ASSETS	Decro Corporation	Decro Alpha	Decro Beta	Decro Chi	Decro Epsilon	Decro Kappa	Decro Management	Decro Beta Dunwoodie, LLC	Decro Orion Apartments, L.P.	Decro Osborne Apartments, L.P.	Peppertree of Banning, L.P.	Barstow Suncrest Apartments, L.P.
<b>Current assets</b>												
Cash and cash equivalents	\$ 141,932	\$ 34,918	\$ 115,884	\$ 11,802	\$ 488,704	\$ 10,341	\$ 3,016	\$ 34,536	\$ 472,382	\$ 559,259	\$ 318,805	\$ 46,685
Accounts receivable - residents, net	-	-	-	-	-	-	-	-	50	693	10,463	7,172
Accounts receivable - operations	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable - related parties	5,433,221	-	-	27,521	259,587	15,840	-	-	-	-	-	-
Prepaid expenses	18,598	-	-	-	-	-	-	-	4,667	6,693	5,045	4,995
<b>Total current assets</b>	<b>5,593,751</b>	<b>34,918</b>	<b>115,884</b>	<b>39,323</b>	<b>748,291</b>	<b>26,181</b>	<b>3,016</b>	<b>34,536</b>	<b>477,099</b>	<b>566,645</b>	<b>334,313</b>	<b>58,852</b>
<b>Property and equipment, net</b>	<b>45,549</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,324,190</b>	<b>12,524,159</b>	<b>6,788,039</b>	<b>6,544,447</b>
<b>Other assets</b>												
Predevelopment costs	150,000	-	-	-	-	-	-	-	-	-	-	-
Office lease deposit	18,818	-	-	-	-	-	-	-	-	-	-	-
Investments in Operating Partnerships	189,248	23,979	(598,876)	(120,722)	709,265	896,595	-	-	-	-	-	-
Due from Decro Long Beach, L.P.	-	1,659,472	-	-	-	-	-	-	-	-	-	-
Unamortized costs, net	-	-	-	-	-	-	-	-	3,641	-	569	336
Miscellaneous other assets	-	-	-	-	-	-	-	-	-	-	-	920
<b>Total other assets</b>	<b>358,066</b>	<b>1,683,451</b>	<b>(598,876)</b>	<b>(120,722)</b>	<b>709,265</b>	<b>896,595</b>	<b>-</b>	<b>-</b>	<b>3,641</b>	<b>-</b>	<b>569</b>	<b>1,256</b>
<b>Total assets</b>	<b>\$5,997,366</b>	<b>\$1,718,369</b>	<b>\$ (482,992)</b>	<b>\$ (81,399)</b>	<b>\$ 1,457,556</b>	<b>\$ 922,776</b>	<b>\$ 3,016</b>	<b>\$ 34,536</b>	<b>\$10,804,930</b>	<b>\$13,090,804</b>	<b>\$ 7,122,921</b>	<b>\$ 6,604,555</b>
<b>LIABILITIES AND NET ASSETS</b>												
Accounts payable and accrued expenses	\$ 76,983	\$ -	\$ 900	\$ 900	\$ -	\$ 901	\$ -	\$ 10,031	\$ 20,130	\$ 105,199	\$ 48,467	\$ 118,570
Accounts payable - related parties	-	-	-	-	10,000	-	-	-	7,500	138,081	172,642	237,381
Accrued payroll	7,353	-	-	-	-	-	-	-	-	-	3,051	5,933
Accrued interest payable - current	-	-	-	-	-	-	-	-	1,337	4,574	9,457	11,210
Prepaid rent	-	-	-	-	-	-	-	-	105	-	1,673	2,007
Current maturities of long term debt	-	-	-	-	-	-	-	-	4,362	24,455	53,070	62,001
<b>Total current liabilities</b>	<b>84,336</b>	<b>-</b>	<b>900</b>	<b>900</b>	<b>10,000</b>	<b>901</b>	<b>-</b>	<b>10,031</b>	<b>33,434</b>	<b>272,309</b>	<b>288,360</b>	<b>437,102</b>
<b>Resident security deposits</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,550</b>	<b>34,734</b>	<b>41,583</b>	<b>51,527</b>	<b>38,875</b>
<b>Long term liabilities</b>												
Due to United Way	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest payable, net of current portion	-	-	-	-	-	-	-	-	2,085,261	3,432,436	1,232,503	609,065
Long term debt, net of current maturities	-	-	-	-	750,000	-	-	-	5,642,945	9,315,529	2,941,724	3,163,447
Less: unamortized debt issuance costs, net	-	-	-	-	(24,170)	-	-	-	(88,808)	(244,255)	(90,718)	(94,771)
<b>Total long term liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>725,830</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,639,398</b>	<b>12,503,710</b>	<b>4,083,509</b>	<b>3,677,741</b>
<b>Total liabilities</b>	<b>84,336</b>	<b>-</b>	<b>900</b>	<b>900</b>	<b>735,830</b>	<b>901</b>	<b>-</b>	<b>14,581</b>	<b>7,707,566</b>	<b>12,817,602</b>	<b>4,423,396</b>	<b>4,153,718</b>
<b>Net assets</b>	<b>5,913,030</b>	<b>1,718,369</b>	<b>(483,892)</b>	<b>(82,299)</b>	<b>721,726</b>	<b>921,875</b>	<b>3,016</b>	<b>19,955</b>	<b>3,097,364</b>	<b>273,202</b>	<b>2,699,525</b>	<b>2,450,837</b>
	<b>\$5,997,366</b>	<b>\$1,718,369</b>	<b>\$ (482,992)</b>	<b>\$ (81,399)</b>	<b>\$ 1,457,556</b>	<b>\$ 922,776</b>	<b>\$ 3,016</b>	<b>\$ 34,536</b>	<b>\$10,804,930</b>	<b>\$13,090,804</b>	<b>\$ 7,122,921</b>	<b>\$ 6,604,555</b>

DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATING AND COMBINING SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2018

ASSETS	Valle Verde of Orange Cove, L.P.	Brandywood Holdings, L.L.L.P.	Decro Nordhoff, L.P.	Saticoy Apartments	Decro Firmin, LLC	Firmin Court, L.P.	The Brine, L.P.	Brine Residential, L.P.	Watts Works, L.P.	Noho 5050, L.P.	1043 Harvard, L.P.	Eliminations	Total
<b>Current assets</b>													
Cash and cash equivalents	\$ 125,630	\$ 139,953	\$ 383,550	\$ 332,093	\$ -	\$ 29,032	\$ -	\$ -	\$ 1,555	\$ -	\$ -	\$ -	\$ 3,250,077
Accounts receivable - residents, net	6,551	1,736	-	195	-	-	-	-	880	-	-	-	27,740
Accounts receivable - operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable - related parties	-	-	-	-	-	-	-	-	-	-	-	(5,736,169)	-
Prepaid expenses	11,877	17,568	11,312	3,174	-	-	-	-	-	-	-	-	83,929
<b>Total current assets</b>	<b>144,058</b>	<b>159,257</b>	<b>394,862</b>	<b>335,462</b>	<b>-</b>	<b>29,032</b>	<b>-</b>	<b>-</b>	<b>2,435</b>	<b>-</b>	<b>-</b>	<b>(5,736,169)</b>	<b>3,361,746</b>
<b>Property and equipment, net</b>	<b>6,387,586</b>	<b>1,359,901</b>	<b>2,107,325</b>	<b>655,594</b>	<b>300,611</b>	<b>4,110,262</b>	<b>2,563,607</b>	<b>1,042,061</b>	<b>377,565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,130,896</b>
<b>Other assets</b>													
Predevelopment costs	-	-	-	-	-	-	-	-	-	-	-	-	150,000
Office lease deposit	-	-	-	-	-	-	-	-	-	-	-	-	18,818
Investments in Operating Partnerships	-	-	-	-	-	-	-	-	-	-	-	(1,076,199)	23,290
Due from Decro Long Beach, L.P.	-	-	-	-	-	-	-	-	-	-	-	-	1,659,472
Unamortized costs, net	2,081	-	-	-	-	-	-	-	-	-	-	-	6,627
Miscellaneous other assets	1,480	7,634	-	-	-	-	-	-	-	-	-	-	10,034
<b>Total other assets</b>	<b>3,561</b>	<b>7,634</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,076,199)</b>	<b>1,868,241</b>
<b>Total assets</b>	<b>\$ 6,535,205</b>	<b>\$ 1,526,792</b>	<b>\$ 2,502,187</b>	<b>\$ 991,056</b>	<b>\$ 300,611</b>	<b>\$ 4,139,294</b>	<b>\$ 2,563,607</b>	<b>\$ 1,042,061</b>	<b>\$ 380,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,812,368)</b>	<b>\$ 60,360,883</b>
<b>LIABILITIES AND NET ASSETS</b>													
Accounts payable and accrued expenses	\$ 30,693	\$ 17,401	\$ 31,533	\$ 6,071	\$ -	\$ 142,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,758)	\$ 608,171
Accounts payable - related parties	220,475	-	20,000	259,587	300,511	1,071,087	2,564,063	709,723	-	-	-	(5,711,050)	-
Accrued payroll	-	-	-	-	-	-	-	-	-	-	-	-	16,337
Accrued interest payable - current	8,744	9,109	2,442	-	-	12,941	-	2,338	-	-	-	-	62,152
Prepaid rent	995	1,169	1,000	-	-	-	-	-	-	-	-	-	6,949
Current maturities of long term debt	53,228	53,812	52,101	-	-	-	-	330,000	-	-	-	-	633,029
<b>Total current liabilities</b>	<b>314,135</b>	<b>81,491</b>	<b>107,076</b>	<b>265,658</b>	<b>300,511</b>	<b>1,226,178</b>	<b>2,564,063</b>	<b>1,042,061</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,712,808)</b>	<b>1,326,638</b>
<b>Resident security deposits</b>	<b>33,933</b>	<b>24,181</b>	<b>27,020</b>	<b>16,133</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>272,536</b>
<b>Long term liabilities</b>													
Due to United Way	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest payable, net of current portion	1,527,577	-	-	-	-	-	-	-	-	-	-	-	8,886,842
Long term debt, net of current maturities	2,923,789	2,558,159	1,576,452	-	-	2,897,072	-	-	-	-	-	-	31,769,117
Less: unamortized debt issuance costs, net	(61,997)	(66,818)	(7,594)	-	-	-	-	-	-	-	-	-	(679,131)
<b>Total long term liabilities</b>	<b>4,389,369</b>	<b>2,491,341</b>	<b>1,568,858</b>	<b>-</b>	<b>-</b>	<b>2,897,072</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,976,828</b>
<b>Total liabilities</b>	<b>4,737,437</b>	<b>2,597,013</b>	<b>1,702,954</b>	<b>281,791</b>	<b>300,511</b>	<b>4,123,250</b>	<b>2,564,063</b>	<b>1,042,061</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,712,808)</b>	<b>41,576,002</b>
<b>Net assets</b>	<b>1,797,768</b>	<b>(1,070,221)</b>	<b>799,233</b>	<b>709,265</b>	<b>100</b>	<b>16,044</b>	<b>(456)</b>	<b>-</b>	<b>380,000</b>	<b>-</b>	<b>-</b>	<b>(1,099,560)</b>	<b>18,784,881</b>
	<b>\$ 6,535,205</b>	<b>\$ 1,526,792</b>	<b>\$ 2,502,187</b>	<b>\$ 991,056</b>	<b>\$ 300,611</b>	<b>\$ 4,139,294</b>	<b>\$ 2,563,607</b>	<b>\$ 1,042,061</b>	<b>\$ 380,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,812,368)</b>	<b>\$ 60,360,883</b>

DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATING AND COMBINING SCHEDULES OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2019

	Decro Corporation	Decro Alpha	Decro Beta	Decro Chi	Decro Epsilon	Decro Kappa	Decro Management	Decro Beta Dunwoodie, LLC	Decro Orion Apartments, L.P.	Decro Osborne Apartments, L.P.	Peppertree of Banning, L.P.	Barstow Suncrest Apartments, L.P.
<b>Revenue</b>												
Residential rental income, net of vacancy and concessions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 380,840	\$ 582,814	\$ 746,638	\$ 620,587
Management fees	1,348,294	-	-	10,000	-	10,000	-	-	-	-	-	-
Interest income	1,096	160	300	68	551	61	-	-	125	68	162	26
Grant revenue	259,620	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	20,834	-	-	-	-	-	5,325	10,953	27,019	27,220
<b>Total revenue</b>	<b>1,609,010</b>	<b>160</b>	<b>21,134</b>	<b>10,068</b>	<b>551</b>	<b>10,061</b>	<b>-</b>	<b>-</b>	<b>386,290</b>	<b>593,835</b>	<b>773,819</b>	<b>647,833</b>
<b>Operating expenses</b>												
<b>Program expenses</b>												
Housing management	294,554	-	-	-	-	-	-	-	896,720	1,145,703	1,154,904	1,093,532
Housing development	488,162	-	-	-	-	-	-	-	-	-	-	-
<b>Total program expenses</b>	<b>782,716</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>896,720</b>	<b>1,145,703</b>	<b>1,154,904</b>	<b>1,093,532</b>
<b>Supporting service expenses</b>												
Management and general	350,500	31,035	242,415	32,011	940,591	5,859	1,146	-	-	-	-	-
<b>Total operating expenses</b>	<b>1,133,216</b>	<b>31,035</b>	<b>242,415</b>	<b>32,011</b>	<b>940,591</b>	<b>5,859</b>	<b>1,146</b>	<b>-</b>	<b>896,720</b>	<b>1,145,703</b>	<b>1,154,904</b>	<b>1,093,532</b>
<b>Non-operating expenses</b>												
Loss on disposal of predevelopment costs	(27,845)	-	-	-	-	-	-	-	-	-	-	-
Loss on investments in Operating Partnerships	190,669	(12)	327,292	3	(15,860)	34,244	-	-	-	-	-	-
<b>Total non-operating expenses</b>	<b>162,824</b>	<b>(12)</b>	<b>327,292</b>	<b>3</b>	<b>(15,860)</b>	<b>34,244</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in total net assets</b>	<b>638,618</b>	<b>(30,887)</b>	<b>106,011</b>	<b>(21,940)</b>	<b>(955,900)</b>	<b>38,446</b>	<b>(1,146)</b>	<b>-</b>	<b>(510,430)</b>	<b>(551,868)</b>	<b>(381,085)</b>	<b>(445,699)</b>
Non-controlling interest in net losses of Operating Partnerships	-	-	-	-	-	-	-	-	510,416	551,835	380,894	445,476
<b>Increase (decrease) in total net assets excluding non-controlling interest</b>	<b>\$ 638,618</b>	<b>\$ (30,887)</b>	<b>\$ 106,011</b>	<b>\$ (21,940)</b>	<b>\$ (955,900)</b>	<b>\$ 38,446</b>	<b>\$ (1,146)</b>	<b>\$ -</b>	<b>\$ (14)</b>	<b>\$ (33)</b>	<b>\$ (191)</b>	<b>\$ (223)</b>
<b>Net assets, January 1, 2019</b>	<b>\$ 5,913,030</b>	<b>\$ 1,718,369</b>	<b>\$ (483,892)</b>	<b>\$ (82,299)</b>	<b>\$ 721,726</b>	<b>\$ 921,875</b>	<b>\$ 3,016</b>	<b>\$ 19,955</b>	<b>\$ 3,097,364</b>	<b>\$ 273,202</b>	<b>\$ 2,699,525</b>	<b>\$ 2,450,837</b>
Prior period adjustments	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets, January 1, 2018, restated</b>	<b>5,913,030</b>	<b>1,718,369</b>	<b>(483,892)</b>	<b>(82,299)</b>	<b>721,726</b>	<b>921,875</b>	<b>3,016</b>	<b>19,955</b>	<b>3,097,364</b>	<b>273,202</b>	<b>2,699,525</b>	<b>2,450,837</b>
Increase (decrease) in net assets	638,618	(30,887)	106,011	(21,940)	(955,900)	38,446	(1,146)	-	(510,430)	(551,868)	(381,085)	(445,699)
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Distributions to non-controlling interests	-	-	-	-	-	-	-	(19,955)	(3,532)	-	-	-
<b>Net assets, December 31, 2019</b>	<b>\$ 6,551,648</b>	<b>\$ 1,687,482</b>	<b>\$ (377,881)</b>	<b>\$ (104,239)</b>	<b>\$ (234,174)</b>	<b>\$ 960,321</b>	<b>\$ 1,870</b>	<b>\$ -</b>	<b>\$ 2,583,402</b>	<b>\$ (278,666)</b>	<b>\$ 2,318,440</b>	<b>\$ 2,005,138</b>



DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATING AND COMBINING SCHEDULES OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019

	Valle Verde of Orange Cove, L.P.	Brandywood Holdings, L.L.L.P.	Decro Nordhoff, L.P.	Saticoy Apartments	Decro Firmin, LLC	Firmin Court, L.P.	The Brine, L.P.	Brine Residential, L.P.	Watts Works, L.P.	Noho 5050, L.P.	1043 Harvard, L.P.	Eliminations	Total
<b>Revenue</b>													
Residential rental income, net of vacancy and concessions	\$ 601,276	\$ 965,883	\$ 454,108	\$ 265,490	\$ -	\$ -	\$ 224,383	\$ -	\$ -	\$ 39,588	\$ -	\$ -	\$ 4,881,607
Management fees	-	-	-	-	-	-	-	-	-	-	-	(1,343,294)	25,000
Interest income	88	312	443	101	-	194	-	-	-	-	-	-	3,755
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	259,620
Other income	23,588	35,719	9,821	7,391	-	-	-	-	-	-	-	-	167,870
<b>Total revenue</b>	<b>624,952</b>	<b>1,001,914</b>	<b>464,372</b>	<b>272,982</b>	<b>-</b>	<b>194</b>	<b>224,383</b>	<b>-</b>	<b>-</b>	<b>39,588</b>	<b>-</b>	<b>(1,343,294)</b>	<b>5,337,852</b>
<b>Operating expenses</b>													
<b>Program expenses</b>													
Housing management	1,171,419	674,623	430,125	288,845	-	-	46,362	-	-	24,236	-	(206,759)	7,014,264
Housing development	-	-	-	-	-	1,309	-	-	3,464	-	-	-	492,935
<b>Total program expenses</b>	<b>1,171,419</b>	<b>674,623</b>	<b>430,125</b>	<b>288,845</b>	<b>-</b>	<b>1,309</b>	<b>46,362</b>	<b>-</b>	<b>3,464</b>	<b>24,236</b>	<b>-</b>	<b>(206,759)</b>	<b>7,507,199</b>
<b>Supporting service expenses</b>													
Management and general	-	-	-	-	800	-	-	-	-	-	-	(1,136,535)	467,822
<b>Total operating expenses</b>	<b>1,171,419</b>	<b>674,623</b>	<b>430,125</b>	<b>288,845</b>	<b>800</b>	<b>1,309</b>	<b>46,362</b>	<b>-</b>	<b>3,464</b>	<b>24,236</b>	<b>-</b>	<b>(1,343,294)</b>	<b>7,975,021</b>
<b>Non-operating expenses</b>													
Loss on disposal of predevelopment costs	-	-	-	-	-	-	-	-	-	-	-	-	(27,845)
Loss on investments in Operating Partnerships	-	-	-	-	-	-	-	-	-	-	-	(536,410)	(74)
<b>Total non-operating expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(536,410)</b>	<b>(27,919)</b>
<b>Increase (decrease) in total net assets</b>	<b>(546,467)</b>	<b>327,291</b>	<b>34,247</b>	<b>(15,863)</b>	<b>(800)</b>	<b>(1,115)</b>	<b>178,021</b>	<b>-</b>	<b>(3,464)</b>	<b>15,352</b>	<b>-</b>	<b>(536,410)</b>	<b>(2,665,088)</b>
Non-controlling interest in net losses of Operating Partnerships	490,929	(218,194)	-	-	-	-	-	-	-	-	-	-	2,161,356
<b>Increase (decrease) in total net assets excluding non-controlling interest</b>	<b>\$ (55,538)</b>	<b>\$ 109,097</b>	<b>\$ 34,247</b>	<b>\$ (15,863)</b>	<b>\$ (800)</b>	<b>\$ (1,115)</b>	<b>\$ 178,021</b>	<b>\$ -</b>	<b>\$ (3,464)</b>	<b>\$ 15,352</b>	<b>\$ -</b>	<b>\$ (536,410)</b>	<b>\$ (503,732)</b>
<b>Net assets, January 1, 2019</b>	<b>\$ 1,797,768</b>	<b>\$ (1,070,221)</b>	<b>\$ 799,233</b>	<b>\$ 709,265</b>	<b>\$ 100</b>	<b>\$ 16,044</b>	<b>\$ (456)</b>	<b>\$ -</b>	<b>\$ 380,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,099,560)</b>	<b>\$ 18,784,881</b>
Prior period adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets, January 1, 2018, restated</b>	<b>1,797,768</b>	<b>(1,070,221)</b>	<b>799,233</b>	<b>709,265</b>	<b>100</b>	<b>16,044</b>	<b>(456)</b>	<b>-</b>	<b>380,000</b>	<b>-</b>	<b>-</b>	<b>(1,099,560)</b>	<b>\$ 18,784,881</b>
Increase (decrease) in net assets	(546,467)	327,291	34,247	(15,863)	(800)	(1,115)	178,021	-	(3,464)	15,352	-	(536,410)	(2,665,088)
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Distributions to non-controlling interests	-	(339,999)	(51,425)	(1,612,876)	-	-	-	-	-	-	-	1,797,589	(230,198)
<b>Net assets, December 31, 2019</b>	<b>\$ 1,251,301</b>	<b>\$ (1,082,929)</b>	<b>\$ 782,055</b>	<b>\$ (919,474)</b>	<b>\$ (700)</b>	<b>\$ 14,929</b>	<b>\$ 177,565</b>	<b>\$ -</b>	<b>\$ 376,536</b>	<b>\$ 15,352</b>	<b>\$ -</b>	<b>\$ 161,619</b>	<b>\$ 15,889,595</b>

DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATING AND COMBINING SCHEDULES OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2018

	Decro Corporation	Decro Alpha	Decro Beta	Decro Chi	Decro Epsilon	Decro Kappa	Decro Management	Decro Beta Dunwoodie, LLC	Decro Orion Apartments, L.P.	Decro Osborne Apartments, L.P.	Peppertree of Banning, L.P.	Barstow Suncrest Apartments, L.P.
<b>Revenue</b>												
Residential rental income, net of vacancy and concessions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,365	\$ 358,637	\$ 552,854	\$ 710,402	\$ 592,370
Management fees	4,880,028	-	-	5,000	23	5,000	-	-	-	-	-	-
Interest income	8,567	12,120	25,540	466	779	359	-	35	116	75	41	36
Other income	-	-	-	-	-	-	-	4,227	4,908	10,125	35,970	29,187
<b>Total revenue</b>	<b>4,888,595</b>	<b>12,120</b>	<b>25,540</b>	<b>5,466</b>	<b>802</b>	<b>5,359</b>	<b>-</b>	<b>6,627</b>	<b>363,661</b>	<b>563,054</b>	<b>746,413</b>	<b>621,593</b>
<b>Operating expenses</b>												
<b>Program expenses</b>												
Housing management	207,143	-	-	-	-	-	-	40,492	892,012	1,169,354	1,097,284	1,063,388
Housing development	258,926	-	-	-	-	-	-	-	-	-	-	-
<b>Total program expenses</b>	<b>466,069</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,492</b>	<b>892,012</b>	<b>1,169,354</b>	<b>1,097,284</b>	<b>1,063,388</b>
<b>Supporting service expenses</b>												
Management and general	176,357	965,111	3,758,385	82,070	82,623	20,231	1,385	-	-	-	-	-
<b>Total operating expenses</b>	<b>642,426</b>	<b>965,111</b>	<b>3,758,385</b>	<b>82,070</b>	<b>82,623</b>	<b>20,231</b>	<b>1,385</b>	<b>40,492</b>	<b>892,012</b>	<b>1,169,354</b>	<b>1,097,284</b>	<b>1,063,388</b>
<b>Non-operating expenses</b>												
Loss on disposal of predevelopment costs	(82,590)	-	-	-	-	-	-	-	-	-	-	-
Loss on investments in Operating Partnerships	(1,954)	(17)	22,470	(1)	101,117	(11,479)	-	-	-	-	-	-
<b>Total non-operating expenses</b>	<b>(84,544)</b>	<b>(17)</b>	<b>22,470</b>	<b>(1)</b>	<b>101,117</b>	<b>(11,479)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in total net assets</b>	<b>4,161,625</b>	<b>(953,008)</b>	<b>(3,710,375)</b>	<b>(76,605)</b>	<b>19,296</b>	<b>(26,351)</b>	<b>(1,385)</b>	<b>(33,865)</b>	<b>(528,351)</b>	<b>(606,300)</b>	<b>(350,871)</b>	<b>(441,795)</b>
Non-controlling interest in net losses of Operating Partnerships	-	-	-	-	-	-	-	-	528,336	606,264	350,696	441,574
<b>Increase (decrease) in total net assets excluding non-controlling interest</b>	<b>\$ 4,161,625</b>	<b>\$ (953,008)</b>	<b>\$ (3,710,375)</b>	<b>\$ (76,605)</b>	<b>\$ 19,296</b>	<b>\$ (26,351)</b>	<b>\$ (1,385)</b>	<b>\$ (33,865)</b>	<b>\$ (15)</b>	<b>\$ (36)</b>	<b>\$ (175)</b>	<b>\$ (221)</b>
<b>Net assets, January 1, 2018</b>	<b>\$ 945,549</b>	<b>\$ 2,671,377</b>	<b>\$ 3,320,281</b>	<b>\$ (5,694)</b>	<b>\$ 702,430</b>	<b>\$ 948,226</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Prior period adjustments	805,856	-	(93,798)	-	-	-	4,401	291,140	3,626,464	879,502	3,050,396	2,892,632
<b>Net assets, January 1, 2018, restated</b>	<b>1,751,405</b>	<b>2,671,377</b>	<b>3,226,483</b>	<b>(5,694)</b>	<b>702,430</b>	<b>948,226</b>	<b>4,401</b>	<b>291,140</b>	<b>3,626,464</b>	<b>879,502</b>	<b>3,050,396</b>	<b>2,892,632</b>
Increase (decrease) in net assets	4,161,625	(953,008)	(3,710,375)	(76,605)	19,296	(26,351)	(1,385)	(33,865)	(528,351)	(606,300)	(350,871)	(441,795)
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Distributions to non-controlling interests	-	-	-	-	-	-	-	(237,320)	(749)	-	-	-
<b>Net assets, December 31, 2018</b>	<b>\$ 5,913,030</b>	<b>\$ 1,718,369</b>	<b>\$ (483,892)</b>	<b>\$ (82,299)</b>	<b>\$ 721,726</b>	<b>\$ 921,875</b>	<b>\$ 3,016</b>	<b>\$ 19,955</b>	<b>\$ 3,097,364</b>	<b>\$ 273,202</b>	<b>\$ 2,699,525</b>	<b>\$ 2,450,837</b>

DECRO CORPORATION AND AFFILIATES  
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATING AND COMBINING SCHEDULES OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2018

	Valle Verde of Orange Cove, L.P.	Brandywood Holdings, L.L.L.P.	Decro Nordhoff, L.P.	Saticoy Apartments	Decro Firmin, LLC	Firmin Court, L.P.	The Brine, L.P.	Brine Residential, L.P.	Watts Works, L.P.	Noho 5050, L.P.	1043 Harvard, L.P.	Eliminations	Total
<b>Revenue</b>													
Residential rental income, net of vacancy and concessions	\$ 589,168	\$ 905,307	\$ 423,211	\$ 259,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,393,816
Management fees	-	-	-	-	-	-	-	-	-	-	-	(4,877,551)	12,500
Interest income	50	101	307	97	-	481	-	-	-	-	-	-	49,170
Other income	25,619	55,304	6,726	4,755	-	-	-	-	-	-	-	-	176,821
<b>Total revenue</b>	<b>614,837</b>	<b>960,712</b>	<b>430,244</b>	<b>264,354</b>	<b>-</b>	<b>481</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,877,551)</b>	<b>4,632,307</b>
<b>Operating expenses</b>													
<b>Program expenses</b>													
Housing management	1,066,524	791,706	441,725	163,237	-	-	-	-	-	-	-	(79,391)	6,853,474
Housing development	-	-	-	-	-	1,251	456	-	-	-	-	-	260,633
<b>Total program expenses</b>	<b>1,066,524</b>	<b>791,706</b>	<b>441,725</b>	<b>163,237</b>	<b>-</b>	<b>1,251</b>	<b>456</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(79,391)</b>	<b>7,114,107</b>
<b>Supporting service expenses</b>													
Management and general	-	-	-	-	-	-	-	-	-	-	-	(4,902,160)	184,002
<b>Total operating expenses</b>	<b>1,066,524</b>	<b>791,706</b>	<b>441,725</b>	<b>163,237</b>	<b>-</b>	<b>1,251</b>	<b>456</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,981,551)</b>	<b>7,298,109</b>
<b>Non-operating expenses</b>													
Loss on disposal of predevelopment costs	-	-	-	-	-	-	-	-	-	-	-	-	(82,590)
Loss on investments in Operating Partnerships	-	-	-	-	-	-	-	-	-	-	-	(110,209)	(73)
<b>Total non-operating expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(110,209)</b>	<b>(82,663)</b>
<b>Increase (decrease) in total net assets</b>	<b>(451,687)</b>	<b>169,006</b>	<b>(11,481)</b>	<b>101,117</b>	<b>-</b>	<b>(770)</b>	<b>(456)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,209)</b>	<b>(2,748,465)</b>
Non-controlling interest in net losses of Operating Partnerships	451,461	(112,671)	-	-	-	-	-	-	-	-	-	-	2,265,660
<b>Increase (decrease) in total net assets excluding non-controlling interest</b>	<b>\$ (226)</b>	<b>\$ 56,335</b>	<b>\$ (11,481)</b>	<b>\$ 101,117</b>	<b>\$ -</b>	<b>\$ (770)</b>	<b>\$ (456)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,209)</b>	<b>\$ (482,805)</b>
<b>Net assets, January 1, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,582,169</b>
Prior period adjustments	2,249,455	(1,074,227)	787,314	642,541	-	-	-	-	-	-	-	(1,396,564)	12,665,112
<b>Net assets, January 1, 2018, restated</b>	<b>2,249,455</b>	<b>(1,074,227)</b>	<b>787,314</b>	<b>642,541</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,396,564)</b>	<b>\$ 21,247,281</b>
Increase (decrease) in net assets	(451,687)	169,006	(11,481)	101,117	-	(770)	(456)	-	-	-	-	(6,209)	(2,748,465)
Capital contributions from non-controlling interests	-	-	23,400	-	100	16,814	-	-	380,000	-	-	(23,500)	396,814
Distributions to non-controlling interests	-	(165,000)	-	(34,393)	-	-	-	-	-	-	-	326,713	(110,749)
<b>Net assets, December 31, 2018</b>	<b>\$ 1,797,768</b>	<b>\$ (1,070,221)</b>	<b>\$ 799,233</b>	<b>\$ 709,265</b>	<b>\$ 100</b>	<b>\$ 16,044</b>	<b>\$ (456)</b>	<b>\$ -</b>	<b>\$ 380,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,099,560)</b>	<b>\$ 18,784,681</b>