

Financial Statements

Irvine Community Land Trust

June 30, 2021

IRVINE COMMUNITY LAND TRUST

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(a professional corporation)

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INDEPENDENT AUDITOR'S REPORT

To the Members

IRVINE COMMUNITY LAND TRUST

Irvine, California

We have audited the accompanying financial statements of Irvine Community Land Trust (a nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Irvine Community Land Trust as of June 30, 2021, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

October 6, 2021

Newport Beach, California

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Statement of Financial Position
June 30, 2021

ASSETS

Current assets:

Cash	\$ 2,028,935
Cash restricted for construction project	662,573
Investments	13,394,258
Prepaid deposits	19,435
Other current assets	<u>48,000</u>
Total current assets	16,153,201

Accrued interest	730,615
Notes receivable	11,134,408
Settlement receivable	11,489,851
Property and equipment, net of accumulated depreciation	34,853,790
Investments - donated homes	1,676,789
Donated use of long-lived asset, net	565,056
Housing project development costs	<u>8,598,397</u>

Total assets **\$ 85,202,107**

LIABILITIES AND NET ASSETS

Current liabilities:

Accrued expenses	\$ 2,664,588
Accrued payroll expenses	2,268
Security deposits	<u>9,412</u>
Total current liabilities	2,676,268

Loan payable and accrued interest 2,716,750

Total liabilities **5,393,018**

Net assets:

Without donor restrictions	77,567,244
With donor restrictions	<u>2,241,845</u>

Total liabilities and net assets **\$ 85,202,107**

See independent auditor's report and notes to financial statements.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Statement of Activities and Net Assets
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Rental income	\$ 114,969	\$ -	\$ 114,969
Investment income	1,642,621	-	1,642,621
Ground lease income	175,502	-	175,502
In-kind contributions - donated homes	-	1,676,789	1,676,789
Donated use of long-lived asset	-	570,240	570,240
Other	387	-	387
Net assets released from restrictions	<u>5,184</u>	<u>(5,184)</u>	<u>-</u>
 Total public support and revenue	 <u>1,938,663</u>	 <u>2,241,845</u>	 <u>4,180,508</u>
 Expenses:			
Program services	471,161	-	471,161
Supporting services:			
Management	<u>212,273</u>	<u>-</u>	<u>212,273</u>
 Total expenses	 <u>683,434</u>	 <u>-</u>	 <u>683,434</u>
 Change in net assets	 1,255,229	 2,241,845	 3,497,074
Net assets, beginning	<u>76,312,015</u>	<u>-</u>	<u>76,312,015</u>
Net assets, ending	<u>\$ 77,567,244</u>	<u>\$ 2,241,845</u>	<u>\$ 79,809,089</u>

See independent auditor's report and notes to financial statements.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services	Support Services Management	Fund-raising	Total
Accounting services	\$ 25,280	\$ -	\$ -	\$ 25,280
Advocacy services	38,500	-	-	38,500
Bank fees	3,243	-	-	3,243
Computer expense	-	6,261	-	6,261
Conference expense	-	50	-	50
Depreciation expense	28,467	448	-	28,915
Dues and subscriptions	-	1,383	-	1,383
Escrow services	10	-	-	10
Financial services	21,472	-	-	21,472
Insurance	-	24,779	-	24,779
Lease expense	-	18,760	-	18,760
License fees	-	239	-	239
Supplies expense	-	1,161	-	1,161
Marketing and communication	83,589	-	-	83,589
Office expense	-	2,675	-	2,675
Payroll expenses and benefits	-	156,299	-	156,299
Postage	-	218	-	218
Professional fees	43,875	-	-	43,875
Real estate services	71,594	-	-	71,594
Rental expense	<u>155,131</u>	<u>-</u>	<u>-</u>	<u>155,131</u>
Total expenses	<u>\$ 471,161</u>	<u>\$ 212,273</u>	<u>\$ -</u>	<u>\$ 683,434</u>

See independent auditor's report and notes to financial statements.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year ended June 30, 2021

Cash flows from operating activities:

Increase in net assets	\$ 3,497,074
Items not requiring cash:	
Depreciation	89,395
Interest and dividends from broker investments	(167,133)
Net unrealized gains on broker investments	60,314
In-kind contribution of homes	(1,676,789)
Donation use of long-lived assets	(565,056)
(Increase) decrease in:	
Other receivables	(44,153)
Prepaid deposits	2,665
Notes receivable	8,479
Accrued interest	(238,252)
Settlement receivable	2,954,308
Increase (decrease) in:	
Accrued expenses	2,563,264
Accrued payroll expenses	<u>(12,321)</u>

Cash provided by operating activities 6,471,795

Cash flows from investing activities:

Purchases of investments	(630,198)
Purchase of property and equipment	(15,162)
Purchases of housing development costs	<u>(6,698,984)</u>

Cash used in investing activities (7,344,344)

Cash flows from financing activities:

Proceeds from construction loan and accrued interest	<u>2,716,750</u>
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Cash provided by financing activities 2,716,750

Increase in cash 1,844,201

Cash, beginning 847,307

Cash and restricted cash, ending \$ 2,691,508

See independent auditor's report and notes to financial statements.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year ended June 30, 2021

Supplemental cash flow information:

Cash paid during the year for:

Interest expense	\$ -
Income taxes	\$ -

See independent auditor's report and notes to financial statements.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and nature of business

The Irvine Community Land Trust (Land Trust) was incorporated in the State of California in 2006 under the California Nonprofit Public Benefit Corporation Law for charitable purposes under Public Charity Status of 509(a)(3). The Land Trust has qualified for tax exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code; accordingly, no provision for income taxes has been made in the accompanying financial statements.

The primary purpose of the Land Trust is to lessen the burdens of government by assisting the City of Irvine, California to ensure that its residents are able to secure low income housing by, among other things, developing, constructing, financing, managing, selling, renting, subsidizing, and monitoring single and multi-family housing, and to conduct or perform any ancillary or related activity in furtherance of the foregoing.

The Land Trust amended its Bylaws in June 2018 regarding the number and type of directors and approvals of its expenditures. The Board of Directors may have up to nine members with up to seven members appointed as at-large and up to 2 members appointed from residents. At-large directors must be residents of and/or work in the City of Irvine. Two of the seven at-large directors may be nominated by the City of Irvine. City nominees need not be members of the City Council or officers or employees of the City. At-large directors nominated by the City may be elected by the members of the Board who were not nominated by the City of Irvine. Resident directors must be residents of affordable units in properties owned by the Land Trust. Resident directors are recommended by managers of land trust properties.

The Land Trust receives its primary income from rental activities and contributions from the City of Irvine. All contributions of land are restricted for development of low income housing.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Marketable securities

Marketable securities and investments are stated in the aggregate at market values based upon quoted market prices, if available, in accordance with authoritative guidance issued by the Financial Accounting Standards Board. Unrealized gains or losses are recognized in the statement of activities.

Cash and cash equivalents

For purposes of the statement of cash flows, the Land Trust considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Land Trust from time to time maintains cash balances that exceed the FDIC insured limit of \$250,000. Customer securities held by BNY Mellon are in segregated accounts, but are not insured. As of June 30, 2021 the Land Trust had balances of \$10,717,881 in excess of the FDIC limit, which includes the cash and money market balances held by BNY Mellon in the investment account; other investments are not insured.

Property and equipment

The Land Trust capitalizes all expenditures in excess of \$2,500 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

Long-lived assets

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Management has evaluated the long-lived assets and has not identified any impairment as of June 30, 2021.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of instruments

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term nature of these instruments.

Financial statement presentation

The Land Trust has adopted the authoritative guidance issued by the Financial Accounting Standards Board ("FASB") in connection with accounting for contributions received and contributions made. The authoritative guidance requires the Land Trust to distinguish between contributions that increase net assets without donor restrictions and contributions that increase net assets with donor restrictions. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values.

The Land Trust has also adopted authoritative guidance issued by the FASB in connection with financial statements of not-for-profit organizations. The authoritative guidance requires the Land Trust to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. As permitted by the statement, the Land Trust does not use fund accounting.

Promises to give

Contributions are recognized when the donor makes a promise to give to the Land Trust that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Land Trust uses the allowance method to determine any uncollectible promises receivable. The allowance is based on management's experience and analysis of the specific promises made. As of June 30, 2021, there are no uncollectible promises receivable.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes receivable

Notes receivable are carried at unpaid principal balances, less an allowance for loan losses and net deferred loan fees and unearned discounts. The allowance for loan losses is increased by charges to the change in net assets and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Land Trust's past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Land Trust's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Loans are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Loan origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent accounting pronouncements

Management has reviewed and adopted applicable recent accounting pronouncements and revisions issued by the FASB (including its Emerging Issues Task Force) and the American Institute of Certified Public Accountants during the fiscal year ended June 30, 2021. Management believes the adoption of such pronouncements and revisions do not have a material impact on the Land Trust's financial statements other than certain footnote disclosures which have been incorporated into these financial statements.

Disclosures relating to interest-rate risk

Interest-rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that an entity manages its exposure to interest-rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing, or coming close to maturity, evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Land Trust will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent event disclosures

The Land Trust has evaluated subsequent events through October 6, 2021, the date which the financial statements were available.

Income taxes

The Land Trust files income tax returns in the U.S. federal and California jurisdictions. The Land Trust is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2017, and they are no longer subject to California income tax examinations by tax authorities for years before 2016.

2. INCOME TAXES

The Land Trust is exempt from taxes under section 501(c)(3) of the Internal Revenue Code. As such, there has been no provision for income taxes in the accompanying financial statements.

3. RENTS RECEIVABLE

During the 2019 year, the Land Trust entered into agreements with two tenants to defer their rental payments in accordance with the Executive Order N-37-20 issued by the California State Governor on March 27, 2020 ("California Eviction Moratorium"). According to the agreements, the total deferred rent amounts of \$3,800 were to be paid back to the Land Trust by the tenant in twelve equal installments. As of June 30, 2021 all payments for these receivables were paid back to the Land Trust and are included in rental income.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Notes to Financial Statements

4. CONTRIBUTIONS

All contributions from donors and organizations are classified as unrestricted unless specifically restricted by the donor or subject to other legal restrictions. As of June 30, 2021, accumulated restricted contributions consisted of the following:

Restricted Contributions:

Investments - donated homes	\$ 1,676,789
Donated use of long-lived asset, net of accumulated amortization	<u>565,056</u>
	<u>\$ 2,241,845</u>

As of June 30, 2021, the Land Trust had \$1,676,789 of assets restricted in perpetuity.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Furniture and equipment	\$ 17,823
Buildings	2,668,446
Improvements	3,418
Land	33,000,000
Less accumulated depreciation	<u>(835,897)</u>
	<u>\$ 34,853,790</u>

6. DONATED USE OF LONG-LIVED ASSET

The Land Trust sub-leases office space from a certain lessor of which the Land Trust is also the ground lease lessor for. The lease agreement requires a lease cost of \$1 per year. The Land Trust has reported this lease in the accompanying financial statements based upon the estimated fair-market value and has recorded the respective revenue in the period the asset was contributed. The related asset will be expensed as rent (and a release of restricted assets) over the original fifty-five-year lease term. Annual rent amortization of donated use of long-lived assets will be \$10,368 through the life of the original lease term.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Notes to Financial Statements

6. DONATED USE OF LONG-LIVED ASSET (CONTINUED)

Donated use of long-lived asset consists of the following:

Estimated fair market value of long-lived asset	\$ 570,240
Accumulated rent amortization	<u>(5,184)</u>
	<u>\$ 565,056</u>

7. HOUSING PROJECT DEVELOPMENT COSTS

As of June 30, 2020, housing development costs consisted of approximately \$8,600,000 of costs incurred in connection with the design and development of a certain low-income housing project. The project commenced construction in December 2020 and as of June 30, 2021, this project was not complete or in use. It is anticipated the project will be completed by May 2022.

8. INVESTMENTS

Investments are stated at fair value and consist of the following:

Cash and money market	\$ 8,672,790
Fixed income	3,888,225
Equities	808,663
Accrued income	24,580
Other	<u>-</u>
	<u>\$ 13,394,258</u>

The following schedule summarizes the investment return on the statement of activities:

Interest and dividend income	\$ 1,366,765
Net realized gains on sale of investments	377,063
Unrealized gain on investments	(60,314)
Management fees	<u>(40,893)</u>
Total	<u>\$ 1,642,621</u>

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Notes to Financial Statements

8. INVESTMENTS (CONTINUED)

Fair value measurements

Fair value measurement accounting establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 consists of unadjusted quoted prices in active markets for identical assets and have the highest level of reliability; Level 2 inputs are those that are observable, either directly or indirectly, for the asset or liability other than quoted prices included in Level 1; and Level 3, which are unobservable, are used when Level 1 and 2 inputs are not available. As of June 30, 2021, the Land Trust's investments are categorized using Level 1 inputs.

Fair values of investments are measured using valuation techniques under a market, income or cost approach. The Land Trust uses a market approach for valuing its investments wherein prices or relevant information derived from market transactions for identical or comparable assets are used in determining the respective fair values.

9. NOTES RECEIVABLE

In October 2010, the Land Trust entered into a loan agreement to loan a developer \$1,602,505 for the development of residential rental units and related improvements of the Stonegate Community (Doria I Apartments). The loan is secured by a leasehold deed of trust with assignment to property, rent and fixtures on the housing development. Simple interest is accrued from the date the loan was issued, November 30, 2010, annually at a rate of 3% with deferred repayment in part. Annual payments of principal and interest are dependent on the availability of positive net cash flow derived from the developer's operations of the development. The entire unpaid loan and accrued interest is due and payable in a single payment 55 years from the date that all units in the project have received all required occupancy permits. In the event that all principal and 1% of the accrued interest is repaid one year prior to the maturity date, the remaining 2% of interest income will be forgiven. The deferred balance outstanding as of June 30, 2021, is \$1,602,505, with deferred accrued interest of \$98,944.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Notes to Financial Statements

9. NOTES RECEIVABLE (CONTINUED)

In November 2012, the Land Trust entered into a loan agreement with Stonegate Housing Partners II, L.P. (Doria II Apartments) for \$1,600,000. This consisted of \$911,409 representing Land Trust Set-Aside Loan money, \$400,572 representing Land Trust HOME money, and \$288,019 representing Land Trust CDBG money. The total principal amount shall accrue simple interest at the rate of 1% per annum commencing on the date of the note. If a default occurs under this agreement that is not cured within an applicable notice and cure period, the Land Trust may terminate this agreement in whole or in part. The entire Land Trust loan and accrued interest is due and payable in a lump-sum payment on the maturity date which is 30 years after all units in the project have received all required occupancy permits from the City of Irvine. In the event of an extension of the maturity date, the interest rate shall increase to 8% per annum on all remaining principal and accrued interest outstanding as of the date that is 31 years after the completion date. The deferred balance outstanding as of June 30, 2021, is \$1,477,300 with deferred accrued interest of \$9,603.

In November 2013, the Land Trust entered into a loan agreement to loan a developer \$1,242,103 for the development of residential rental units and related improvements of the Cypress Village community (an additional \$12,500 was advanced subsequently). The loan is secured by a leasehold deed of trust with assignment to property, rent and fixtures on the housing development. Simple interest is accrued from the date the loan was issued, November 30, 2013, annually at a rate of 3% with deferred repayment in part. Annual payments of principal and interest are dependent on the availability of positive net cash flow derived from the developer's operations of the development. The entire unpaid loan and accrued interest is due and payable in a single payment 55 years from the date that all units in the project have received all required occupancy permits. The deferred balance outstanding as of June 30, 2021, is \$1,254,603 with deferred accrued interest of \$265,512.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Notes to Financial Statements

9. NOTES RECEIVABLE (CONTINUED)

In June of 2019, the Land Trust entered into a loan agreement to loan a developer \$6,800,000 for the development of residential rental units and related improvements of the Cypress Village community. The loan is secured by a leasehold deed of trust with assignment to property, rent and fixtures on the housing development. Simple interest is accrued from the date the loan was issued, June 1, 2019, annually at a rate of 3% with deferred repayment in part. Annual payments of principal and interest are dependent on the availability of positive net cash flow derived from the developer's operations of the development. The deferred balance outstanding as of June 30, 2021, is \$6,800,000 with a deferred accrued interest of \$356,556.

10. CONSTRUCTION LOAN PAYABLE

In December of 2020, the Land Trust entered into a Residential Construction Loan agreement in order to provide construction funds for the full construction of the related Cypress Village community property. The agreement allows for the Land Trust to use total funds up to the agreed amount of \$24,250,000 with interest accrued annually based on the current Prime Rate of interest as published in The Wall Street Journal U.S. edition plus 0.00% on all outstanding balances (but not less than 3.25%). The Land Trust is required monthly to pay accrued interest on the unpaid principal balance outstanding commencing on January 1 of 2021 until full term of the note. The entire outstanding principal balance of the note is due and payable in full upon maturity date of the loan in January of 2023. For administration of the funding of the loan and payment for construction expenses for the property, the lender has required the Land Trust to open a bank checking and bank reserve account of which all cash balances in these accounts are restricted for purposes of the construction property. Also, in addition to the loan agreement, the Land Trust has agreed to assign all right, title, and interest in their BNY Mellon investment main account to the lender. The outstanding loan balance as of June 30, 2021 was \$2,716,750, including outstanding accrued interest of \$15,779.

11. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and support services have been summarized on a functional basis in the statements of functional expenses. All revenues and expenses pertain to unrestricted net assets.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Notes to Financial Statements

12. OPERATING LEASES

Facility Lease

In July of 2017, the Land Trust entered into a noncancelable facility lease with an initial term of twenty months commencing on July 31, 2017 and terminating on March 30, 2019, at a base rent of \$2,100 per month. In January of 2019, the Land Trust signed a new lease with an initial term of twenty months commencing on April 1, 2019 and terminating on November 30, 2020; with an extension through March of 2021 at the option of the Land Trust. The base rent was increased to \$2,163. The Land Trust conducted its administrative activities from these facilities. This lease was terminated in January of 2021 and for the year ended June 30, 2021, the Land Trust paid approximately \$14,000 in rent expense.

Facility Sub-lease

As discussed in note 6, the Land Trust sub-leases office space from a certain lessor of which the Land Trust is also the ground lease lessor for. The lease agreement requires a lease cost of \$1 per year and commences on date of receipt of a permanent certificate of occupancy for the project to be constructed. The certificate of permanent occupancy was received in January of 2021. As of June 30, 2021, the Land Trust recognized \$5,184 of lease expense for this sub-lease.

13. OPERATING AGREEMENTS

In October 2010, the Land Trust entered into an operating agreement with Jamboree Housing Corporation, a California nonprofit public benefit corporation, for a 0.1% interest in Stonegate Housing LLC, a California limited liability company. Stonegate Housing LLC is organized and operated exclusively for the charitable purposes of its Members, Irvine Community Land Trust (non-managing member) and Jamboree Housing Corporation (managing member). Stonegate Housing LLC will further the charitable purposes of its Members by providing low and moderate income housing to eligible persons by acquiring, developing, constructing, managing, financing, leasing, operating and maintaining a certain affordable multifamily residential rental real estate project, known as the Doria Project, and holding this project for investment purposes until its ultimate disposition. As of June 30, 2021, the Land Trust has not made any capital contributions or received any distributions from this agreement.

IRVINE COMMUNITY LAND TRUST
(a Nonprofit Public Benefit Corporation)
Notes to Financial Statements

13. OPERATING AGREEMENTS (CONTINUED)

In November of 2013, the Land Trust entered into an operating agreement with Amcal Multi-Housing Two, LLC, a California limited liability company, for a 0.1% interest in Alegre GP, LLC, a California limited liability company. Alegre GP, LLC is organized and operated exclusively for the charitable purposes of its Members, Irvine Community Land Trust (non-managing member) and Amcal Multi-Housing Two, LLC (managing member). Alegre GP, LLC will further the charitable purposes of its Members by providing low and moderate income housing to eligible persons by acquiring, developing, constructing, managing, financing, leasing, operating and maintaining a certain affordable multifamily residential rental real estate project, known as the Amcal project, and holding this project for investment purposes until its ultimate disposition. As of June 30, 2021, the Land Trust has not made any capital contributions or received any distributions from this agreement.

14. SETTLEMENT INCOME AND RECEIVABLE

A settlement agreement has been entered into that resolves lawsuits filed by the City, Successor Agency, and Irvine Community Land Trust against the State of California relating to debts owed by the former Redevelopment Agency to the City and Irvine Community Land Trust that the State Department of Finance deemed unenforceable obligations for purposes of providing property tax funding to satisfy the debt. The settlement agreement has been approved by the various entities and approved by the Superior Court.

The Dismissal Agreement (dated July 9, 2014) provides that the Land Trust will receive a minimum of \$14,600,000 from the amounts received by the City of Irvine, in periodic payments over the course of approximately 12 years. This amount has been discounted at a rate of 6% to achieve an estimated current value. In addition, in January of 2016, the City Council for the City of Irvine voted to increase the amount of funds dedicated to the Land Trust by \$14,600,000 which was also discounted at a 6% interest rate. The amount of \$3,881,467, including interest, was received in the current year.

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15. GROUND LEASE INCOME

In November of 2013, the Land Trust entered into a lease agreement with a third party. The agreement provided for the landlord to ground lease a certain property to the tenant in order that the tenant would construct and operate a one hundred and four unit multifamily apartment project. The terms of the lease include annual base rent payments to the Land Trust in the amount of \$16,100 per year, including an annual rent increase of 3.5% of the base rent amount. For the 2021 year, the Land Trust received \$155,502 of ground lease income from this project.

In March of 2015, the Land Trust entered into a lease agreement with a third party. The agreement provided for the landlord to ground lease a certain property to the tenant for ninety-nine years at \$1.00 per year in order that the tenant would develop and operate an eighty unit multifamily project. The total amount for the lease was paid upfront when the project was opened, therefore, the Land Trust is not currently collecting any amounts from this project.

In June of 2019, the Land Trust entered into a lease agreement with a third party. The agreement provided for the landlord to ground lease a certain property to the tenant in order that the tenant would construct, maintain, and manage the operation of an eighty unit multifamily apartment project. The terms of the agreement include that operating expense payments in the amount of \$4,000 per month on the ground lease will commence one month after the project is occupied. The project received its certificate of occupancy in January of 2021. For the 2021 year, the Land Trust received \$20,000 of ground lease income from this project.

16. IN-KIND GROUP HOME DONATIONS

In May of 2021, the Land Trust received two in-kind contributions of real property. Both properties are located in the City of Santa Ana, California and are to be used as Group Homes for low income individuals with developmental or other disabilities. This donor restriction shall remain in effect over the life of each property. As of June 30, 2021, the total estimated fair market value of these properties totaled \$1,676,789 and has been included in total contribution income for the June 30, 2021 year.

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17. RENTAL EXPENSES

Rental expenses consisted of the following components:

Bank service charges	\$ 45
Depreciation	88,947
Homeowners' association	37,050
Insurance	1,346
Management fees	10,800
Property taxes	2,049
Repairs and maintenance	9,087
Utilities	5,807
	<hr/>
	\$ 155,131

18. LAND TRANSFER AGREEMENTS

During the year ended June 30, 2016, the City of Irvine and the Land Trust entered into two separate land transfer agreements whereby the Land Trust is to receive certain properties within the City of Irvine to facilitate the development of affordable houses. There are certain "conditions to close," including having all approvals necessary for the development of an Affordable Housing Development to be obtained. During the 2019 year, the Land Trust received one of these properties and during the 2020 year, the Land Trust received the second one. The Land Trust received the grant deed in June of 2019 for the first property and the value of the property was \$5,500,000 as of the most recent appraisal dated April of 2019. The Land Trust received the grant deed in May of 2020 for the second property and the value of the property was \$11,500,000 as of the most recent appraisal dated August 2014.

19. BROKER SERVICE AGREEMENT

In June of 2021, the Land Trust entered into a Residential Listing Agreement with a third-party broker in which the broker is to provide services in relation to a certain low-income housing property. The agreement includes compensation to be made to the broker by the Land Trust in the amount of \$12,654 per month over a 13 month period commencing on the date of the agreement. It also includes an escrow fee due to the broker of \$1,000 upon the close of escrow for each home sale for the property. As of June 30, 2021, fees paid by the Land Trust for this agreement totaled \$3,374.

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20. CONTINGENCY

Covid - 19

On March 19, 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic and public health emergency. The related development and fluidity of this situation presents uncertainty and precludes any prediction as to any ultimate material adverse impact to the Land Trust. The Land Trust continues to monitor the situation and navigate the many resources available to it; however, the uncertainty presents risks with respect to the Land Trust, its performance, and its financial results.