

LADF

LOS ANGELES DEVELOPMENT FUND

**Special Meeting *of the*
Governing Board of Directors *and*
Advisory Board of Directors *of***

The Los Angeles Development Fund

and

LADF Management, Inc.

July 3, 2014

SPECIAL MEETING *of the*
GOVERNING BOARD OF DIRECTORS *and* ADVISORY BOARD OF DIRECTORS *of*
THE LOS ANGELES DEVELOPMENT FUND *and* LADF MANAGEMENT, INC.

JULY 3, 2014

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 - LADF Pipeline Report

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 - LADF Final Audited Financial Statements

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 - BOARD MEMO from Rushmore Cervantes (*President, LADF*)

- 5** Materials regarding Action Item #2:
 - BOARD MEMO from Sandra Rahimi (*Secretary, LADF*)

Tab 1

A G E N D A

**SPECIAL MEETING of the
GOVERNING BOARD OF DIRECTORS and ADVISORY BOARD OF DIRECTORS of
THE LOS ANGELES DEVELOPMENT FUND and LADF MANAGEMENT, INC.**

**CITY HALL, ROOM 1050
200 N. SPRING STREET, LOS ANGELES, CA
Thursday, July 3, 2014 | 2:00pm – 3:30pm**

	AGENDA ITEM	PRESENTER	TAB
1	Welcome and Call to Order	Rushmore Cervantes	
2	Roll Call	Rushmore Cervantes	
3	Discussion Items	Sandra Rahimi	
	• LADF Pipeline Update		Tab 2
	• Review of LADF Final Audit		Tab 3
	• Review of NMTC Conference attended in Washington DC – June 11-13, 2014		
4	Action Items		
	1. Approval of a 5.5% cost of living wage increase for Sandra Rahimi and Chris Chorebanian, effective as of pay period beginning on February 23, 2014	Sandra Rahimi	Tab 4
	2. Authorization of LADF staff to engage SZ Consulting to assist in the writing of the application for the next round of NMTC allocation awards and Novogradac for final review. Maximum estimated upfront cost is \$46,000 with a \$10,000 success fee due if LADF is awarded an NMTC allocation in the next round.		Tab 5
5	Request for Future Agenda Items	Rushmore Cervantes	
6	Next Meeting Date and Time of Governing Board	Rushmore Cervantes	
	• TBD		
7	Public Comment	Rushmore Cervantes	
8	Adjournment	Rushmore Cervantes	

The LADF's Board Meetings are open to the public. Accommodations such as sign language interpretation and translation services can be provided upon 72 hours notice. Contact LADF @ (213) 922-9694.

PUBLIC COMMENT AT LADF BOARD MEETINGS – An opportunity for the public to address the Board will be provided at the conclusion of the agenda. Members of the public who wish to speak on any item are requested to identify themselves and indicate on which agenda item they wish to speak. The Board will provide an opportunity for the public to speak for a maximum of three (3) minutes, unless granted additional time at the discretion of the Board. Testimony shall be limited in content to matters which are listed on this Agenda and within the subject matter jurisdiction of the LADF. The Board may not take any action on matters discussed during the public testimony period that are not listed on the agenda.

Tab 2

LADF

LOS ANGELES DEVELOPMENT FUND

PIPELINE PROFILES

LADF Board of Directors Meeting
July 3, 2014

USC UNIVERSITY VILLAGE

Developer:	University of Southern California						
Project Type:	Retail Center, New Construction						
Description:	Development of a 120,000 SF neighborhood retail center within the 15-acre USC University Village located adjacent to USC's campus in South LA. Project is anchored by a large full-service supermarket (e.g. Sprouts or Ralphs) and a full-service drugstore (e.g. Walgreens or CVS) with in-line retail and sit-down and casual food service uses.						
Location:	3375 South Hoover Street, Los Angeles, CA 90007 (CD 9)						
Census Tract Eligibility (2010):	<ul style="list-style-type: none"> ➤ 60.4% Poverty Rate (<i>greater than 30%</i>) ➤ 33.7% of Metro/State Median Income (<i>less than 60%</i>) ➤ 1.84x National Avg. Unemployment (<i>greater than 1.5x</i>) 						
Estimated TDC:	\$ 80,000,000						
Estimated NMTC Allocation:	Total QEI: \$40,000,000 LADF QEI: \$10,000,000						
Potential Sources of Funds:	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Sponsor Equity (Lev. Loan):</td> <td style="text-align: right;">\$ 26,700,000</td> </tr> <tr> <td>NMTC Equity (\$0.85 / NMTC):</td> <td style="text-align: right;">\$ 13,300,000</td> </tr> <tr> <td>Sponsor Direct Loan:</td> <td style="text-align: right;">\$ 40,000,000</td> </tr> </table>	Sponsor Equity (Lev. Loan):	\$ 26,700,000	NMTC Equity (\$0.85 / NMTC):	\$ 13,300,000	Sponsor Direct Loan:	\$ 40,000,000
Sponsor Equity (Lev. Loan):	\$ 26,700,000						
NMTC Equity (\$0.85 / NMTC):	\$ 13,300,000						
Sponsor Direct Loan:	\$ 40,000,000						
Projected Closing:	Fall/ Winter 2014						
Current Status:	<ul style="list-style-type: none"> ➤ Developer is seeking a lender to provide a construction loan ➤ USC has completed a multi-year City approval process as part of a larger USC Master Plan which included numerous public meetings and an extensive public hearing process ➤ Project is fully-entitled and permitted as of right and meets all local zoning, environmental and entitlement requirements ➤ Construction commencement expected in Q3 2014 						
Community Benefits/Impact:	<ul style="list-style-type: none"> ➤ Job Creation: 340 Permanent – 640 Construction ➤ Construction: 100% union labor, 20% MBE, 5% WBE, 10% local hire ➤ Access to healthy foods to be provided by grocery store anchor ➤ 880 SF Community space provided at no cost by reservation 						



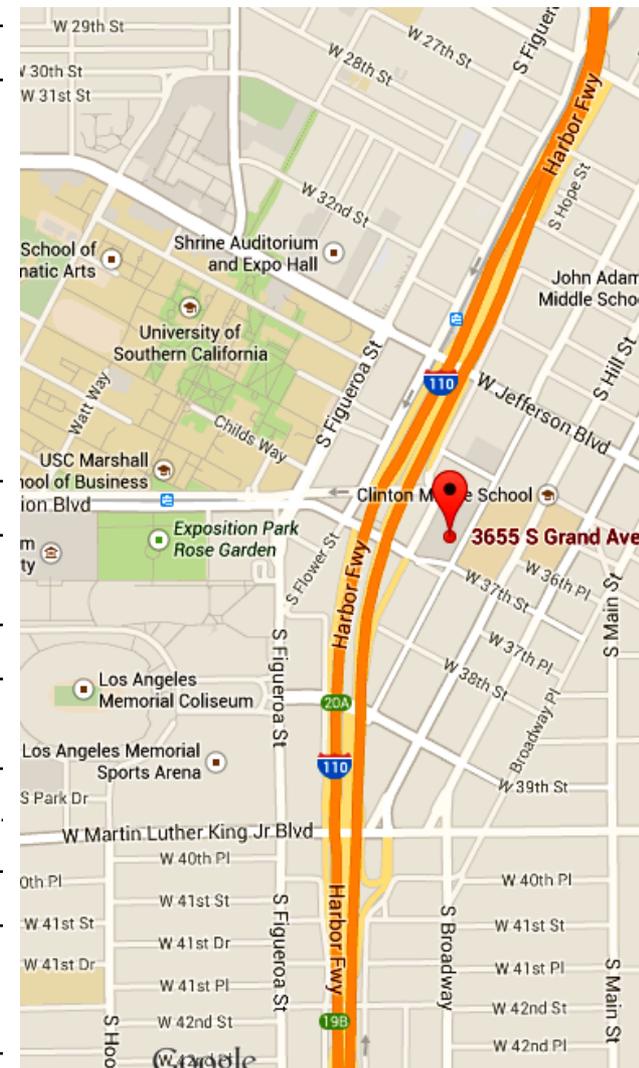
LEGACY LA

Developer:	Legacy LA
Project Type:	Community Facility, Rehabilitation
Description:	<p>Project includes the renovation/outfitting of a 50,000-sf former federal armory in Boyle Heights. Project includes classroom and office spaces, computer labs, soundproof video and sound recording and editing studio, academic counseling and tutoring rooms, homework lounge, industrial kitchen for culinary training and small business support, student-run cafe, theater, music rooms, library, art studios/galleries, exercise gym, basketball court.</p> <p>Legacy LA provides academic, job training, and social enterprise services to the youth of the Ramona Gardens Housing Project. Over the last 5 years Legacy LA has served over 1,000 youth through gang intervention activities, leadership development, advocacy, workforce readiness and academic supports</p>
Location:	1350 N San Pablo St, Los Angeles, CA 90033 (CD 14)
Census Tract Eligibility (2010):	<ul style="list-style-type: none"> ➤ 55.9% of Metro/State Median Income (<i>less than 60%</i>) ➤ 1.54x National Avg. Unemployment (<i>greater than 1.5x</i>)
Estimated TDC:	\$ 8,000,000
Estimated NMTC Allocation:	Total QEI: \$ 7,600,000 LADF QEI: \$ 7,600,000
Potential Sources of Funds:	City of Vernon Grant: \$ 5,000,000 (30% disbursed) NMTC Equity (\$0.85 / NMTC): \$ 2,600,000
Projected Closing:	Winter 2014
Current Status:	➤ Developer controls site by way of a 50-yr MOU with City of LA
Community Benefits/Impact:	<ul style="list-style-type: none"> ➤ Job Creation/Retention: 75 Permanent – 50 Construction ➤ 50% of Permanent & Construction Jobs to be filled by low-mod ➤ Legacy to form partnerships with other organizations to provide services to the youth of Ramona Gardens (example: a local coffee house owner has committed to teaching youth to roast coffee) ➤ Construction to be LEED Certified



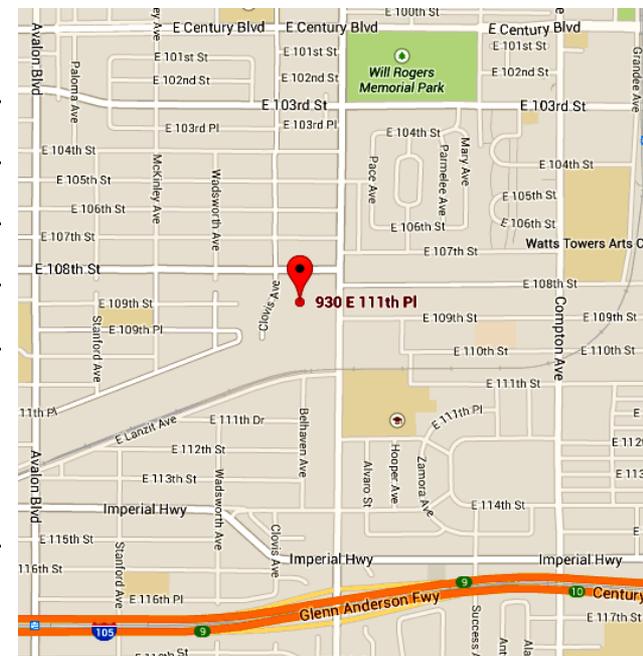
MERCADO LA PALOMA

Developer:	Esperanza Community Housing Corporation
Project Type:	Nonprofit Office and Food Retail, Rehabilitation
Description:	Project is the substantial rehabilitation of a 35,000 SF mixed-use community facility featuring local small business restaurants and retail, office space for local nonprofits, and art and cultural opportunities. Since 2001, Mercado La Paloma has been home for 43 small businesses and currently hosts 11 businesses. NMTC financing will allow the nonprofit owner Esperanza to upgrade deteriorating building systems to more efficient systems, reducing operating costs and providing improving interior air quality. In addition, the funds will enable Esperanza to build out a vacant space for a high quality restaurant – increasing the number of visitors to the facility – and will also result in enhanced community seating areas, and improvements to restaurant and retail stalls.
Location:	3655 S. Grand Avenue, Los Angeles, CA 90007 (CD 9)
Census Tract Eligibility (2010):	<ul style="list-style-type: none"> ➤ 50.1% Poverty Rate (<i>greater than 30%</i>) ➤ 36.4% of Metro/State Median Income (<i>less than 60%</i>)
Estimated TDC:	\$ 8,300,000
Estimated NMTC Allocation:	Total QEI: \$ 8,300,000 LADF QEI: \$ 8,300,000
Potential Sources of Funds:	Sponsor Leverage Loan: \$ 5,600,000 NMTC Equity (\$0.85 / NMTC): \$ 2,700,000
Projected Closing:	Winter 2014
Current Status:	<ul style="list-style-type: none"> ➤ All financing sources are secured ➤ Architectural drawings are substantially complete ➤ Permits will be in hand by September 2014
Community Benefits/Impact:	<ul style="list-style-type: none"> ➤ Permanent Job Creation: 16 Create – 136 Retain ➤ Access to healthy foods for residents of low-income community ➤ Provide 1,100 SF community meeting and event space



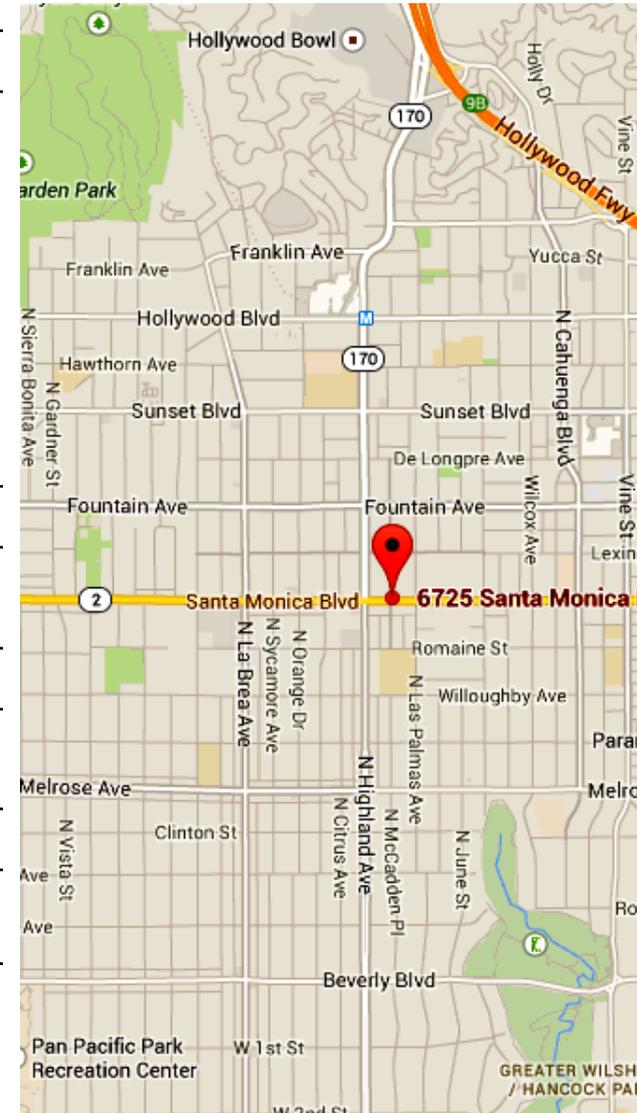
LANZIT CENTER

Developer:	Lanzit Industrial Park, LLC (RSS Development)						
Project Type:	Light Industrial and Office, New Construction						
Description:	150,000 SF Built-to-Suit Industrial Park, 9.1-acre lot Proposed Phase I – Bldg 2 [30,000 SF] and Bldg 3 [46,000 SF]						
Location:	930 East 111 th Place, Los Angeles, CA 90059 (CD 8)						
Census Tract Eligibility (2010):	<ul style="list-style-type: none"> ➤ 52.3% of Metro/State Median Income (less than 60%) ➤ 1.94x National Avg. Unemployment (greater than 1.5x) ➤ Located in a <i>State Enterprise Zone</i> and <i>Revitalization Zone</i> 						
Estimated TDC:	\$12,000,000						
Estimated NMTC Allocation:	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Total QEI:</td> <td style="text-align: right;">\$12,000,000</td> </tr> <tr> <td>LADF QEI:</td> <td style="text-align: right;">\$10,000,000</td> </tr> </table>	Total QEI:	\$12,000,000	LADF QEI:	\$10,000,000		
Total QEI:	\$12,000,000						
LADF QEI:	\$10,000,000						
Potential Sources of Funds:	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">CDBG R Grant:</td> <td style="text-align: right;">\$2,200,000</td> </tr> <tr> <td>HUD 108 Loan:</td> <td style="text-align: right;">\$6,000,000</td> </tr> <tr> <td>NMTC Equity (\$0.82 / NMTC):</td> <td style="text-align: right;">\$3,800,000</td> </tr> </table>	CDBG R Grant:	\$2,200,000	HUD 108 Loan:	\$6,000,000	NMTC Equity (\$0.82 / NMTC):	\$3,800,000
CDBG R Grant:	\$2,200,000						
HUD 108 Loan:	\$6,000,000						
NMTC Equity (\$0.82 / NMTC):	\$3,800,000						
Projected Closing:	Spring 2015						
Current Status:	<ul style="list-style-type: none"> ➤ CDD's HUD 108 loan and CDGB proceeds have been funded. ➤ Project is in final plan check for permitting of 76,000 SF in Phase 1 ➤ Phase I construction to begin on spec basis to entice tenants ➤ RFP for GC posted in March 2014 						
Community Benefits/Impact:	<ul style="list-style-type: none"> ➤ Job Creation: 171 Permanent – 65 Construction ➤ 51% of Permanent Jobs to-be-made available to low-to-moderate income persons 						



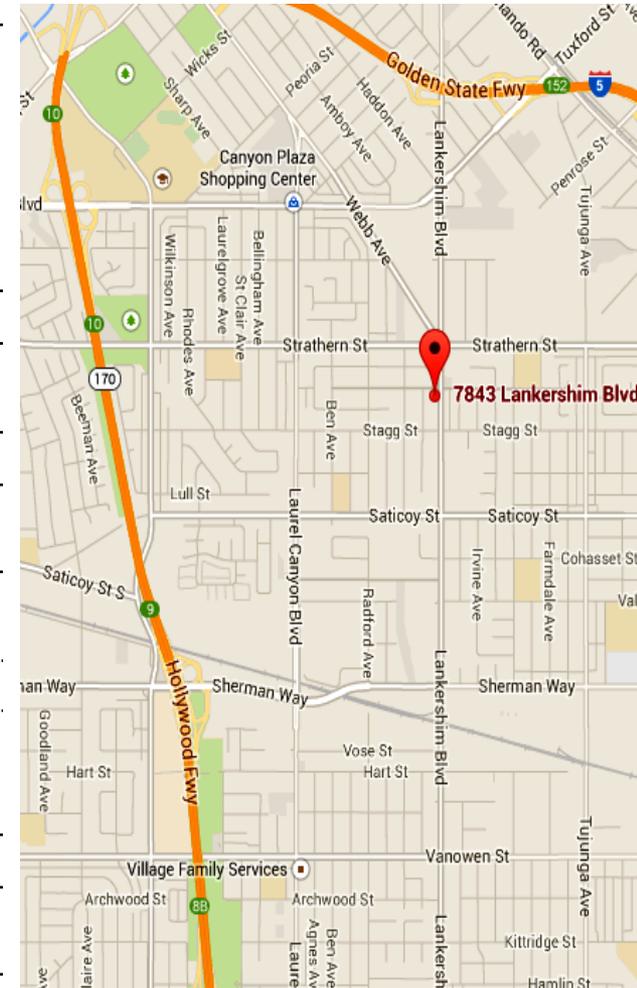
L.A. GAY AND LESBIAN CENTER

Developer:	L.A. Gay & Lesbian Center
Project Type:	Community / Retail (w/ Affordable Hsg), Acquisition / Rehab
Description:	<p>Project will provide ground floor retail and community space, with low-income housing for seniors on the upper floors. Sponsor operates 5 existing locations and provides the following services:</p> <p>Health: one of the nation's largest and most experienced providers of LGBT health and mental healthcare</p> <p>Social Services / Housing: (1) offer food, clothing, counseling, medical care and a wide range of services to help homeless LGBT youth; (2) help meet many of the basic and life-sustaining needs of the growing number of LGBT seniors; (3) one-on-one mentoring for LGBT youth and college scholarships, workshops and social activities</p>
Location:	6725 W. Santa Monica Blvd., Los Angeles, CA 90025 (CD 4)
Census Tract Eligibility (2010):	<ul style="list-style-type: none"> ➤ 74.0% of Metro/State Median Income (<i>less than 80%</i>) ➤ Located in a <i>State Enterprise Zone and Revitalization Zone</i>
Estimated TDC:	<i>Undetermined</i>
Estimated NMTC Allocation:	Total QEI: <i>Undetermined</i>
Projected Closing:	Summer 2015
Current Status:	➤ Sponsor is in process of developing the scope of the project and reaching out to potential tenants for the retail space
Community Benefits/Impact:	<ul style="list-style-type: none"> ➤ Job Creation: X Permanent – X Construction ➤ Provide retail and community space to underserved community, with possible fresh foods tenant ➤ Address the need for social services and housing for a growing number of LGBT seniors



THE CAMPUS AT L.A. FAMILY HOUSING

Developer:	L.A. Family Housing (LAFH)
Project Type:	Community Facility, Rehabilitation and New Construction
Description:	Project will (1) rehabilitate an existing 30,000 SF facility and (2) demolish another existing structure to construct a new 26,000 SF facility. The project will be a one-stop social service and housing resource center for homeless individuals and families in the San Fernando Valley. Uses include a 7,100 SF federally qualified health care center including vision and dental care; 9,700 SF of office space for LAFH's headquarters; and 9,800 SF of social service space for employment counseling, legal advocacy, & housing resources.
Location:	7843 Lankershim Blvd., North Hollywood, CA 91605 (CD 6)
Census Tract Eligibility (2010):	Project will serve Targeted Populations ➤ Pursuant to Sect. 3.2(h)(v) of NMTC Allocation Agreement
Estimated TDC:	\$ 32,000,000
Estimated NMTC Allocation:	Total QEI: \$20,000,000 LADF QEI: \$10,000,000
Potential Sources of Funds:	Leverage Loan: \$ 10,000,000 (Philanthropic Support) \$ 3,500,000 (Land Value Contrib.)
	NMTC Equity (\$0.85 / NMTC): \$ 6,600,000
	Other Sources (outside NMTC structure): \$ 6,000,000 (LIHTC)
	\$ 5,000,000 (Public Funding Sources) \$ 1,000,000 (Private Loan)
Projected Closing:	Spring 2016
Current Status:	<ul style="list-style-type: none"> ➤ Sponsor controls site ➤ Preliminary concept design complete
Community Benefits/Impact:	<ul style="list-style-type: none"> ➤ Permanent Job Creation: 50 FTE Retained / 10 FTE Created ➤ LAFH will serve 2,000 more people and healthcare capacity will increase to 10,000 visits per year ➤ Housing: 50 new permanent units / 250 renovated shelter units



Tab 3

**The Los Angeles Development Fund
and Subsidiary**

**Consolidated Financial Statements
(With Supplementary Information) and
Independent Auditor's Report**

December 31, 2013 and 2012

The Los Angeles Development Fund and Subsidiary

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Independent Auditor's Report

To the Board of Directors
The Los Angeles Development Fund and Subsidiary

We have audited the accompanying consolidated financial statements of The Los Angeles Development Fund and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Development Fund and Subsidiary as of December 31, 2012 and 2013, 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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 29 through 32 is presented for purposes of additional analysis and is 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.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Los Angeles, California
June 6, 2014

The Los Angeles Development Fund and Subsidiary

**Consolidated Statements of Financial Position
December 31, 2013 and 2012**

<u>Assets</u>		
	2013	2012
Cash	\$ 1,183,364	\$ 1,193,724
Fees receivable	48,154	57,412
Accounts receivable	47,431	44,618
Investments in limited liability companies	13,151	12,155
Prepaid expenses	2,051	2,052
Total assets	\$ 1,294,151	\$ 1,309,961
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 45,747	\$ 12,477
Deferred loan servicing and compliance fee, net	192,308	256,594
Refundable deposits	25,000	50,000
Due to affiliate	-	60,465
Total liabilities	263,055	379,536
Net assets - unrestricted	1,031,096	930,425
Total liabilities and net assets	\$ 1,294,151	\$ 1,309,961

See Notes to Consolidated Financial Statements.

The Los Angeles Development Fund and Subsidiary

**Consolidated Statements of Activities
Years Ended December 31, 2013 and 2012**

	2013	2012
Income		
Placement fee	\$ 200,000	\$ 850,134
Loan servicing and compliance fee	354,563	199,735
Asset management fees	36,000	28,340
Reimbursement income	977	-
Income from investments in limited liability companies	105	73
Interest income - bank	365	301
	592,010	1,078,583
Expenses		
Consultant fees	37,173	134,892
Salary Expense	289,475	-
Payroll expense	18,268	-
Interest expense	-	510
Insurance expense	8,192	4,199
Legal fees	5,428	24,740
Management fees	63,329	202,479
Professional fees	49,423	36,140
Miscellaneous administrative expense	20,051	5,174
	491,339	408,134
Change in unrestricted net assets	100,671	670,449
Net assets - unrestricted, beginning of year	930,425	259,976
Net assets - unrestricted, end of year	\$ 1,031,096	\$ 930,425

See Notes to Consolidated Financial Statements.

The Los Angeles Development Fund and Subsidiary

**Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in unrestricted net assets	\$ 100,671	\$ 670,449
Adjustments to reconcile change in unrestricted net assets to net cash (used in) provided by operating activities		
Amortization of deferred servicing and compliance fee	(64,286)	(64,286)
Income from investment in limited liability company	(105)	(73)
Changes in operating assets and liabilities		
Prepaid expense	1	(1)
Fees receivable	9,258	(33,008)
Accounts receivable	(2,813)	14,598
Accounts payable and accrued expenses	33,270	(520)
Deferred loan servicing and compliance fee, net		250,000
Refundable deposits	(25,000)	25,000
Due to affiliate	(60,465)	(45,793)
Net cash (used in) provided by operating activities	<u>(9,469)</u>	<u>816,366</u>
Cash flows from investing activities		
Investments in limited liability companies	(1,000)	(5,112)
Distributions from investments in limited liability companies	109	70
Net cash used in investing activities	<u>(891)</u>	<u>(5,042)</u>
Cash flows from financing activities		
Repayment of other loan payable	<u>-</u>	<u>(200,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(200,000)</u>
Net (decrease) increase in cash	(10,360)	611,324
Cash, beginning of year	<u>1,193,724</u>	<u>582,400</u>
Cash, end of year	<u>\$ 1,183,364</u>	<u>\$ 1,193,724</u>
Supplemental disclosure		
Cash paid for interest	<u>\$ -</u>	<u>\$ 3,025</u>

See Notes to Consolidated Financial Statements.

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Note 1 - Organization and summary of significant accounting policies

The Los Angeles Development Fund (the Corporation) was organized as a nonprofit public benefit corporation under the laws of the State of California on September 8, 2006, to assist in carrying out the economic development program and objectives of the City of Los Angeles to promote the development, establishment or expansion of industries and commerce, among other things, by generating private investment capital through the New Markets Tax Credit Program. The Corporation has been certified by the U.S. Treasury's Community Development Financial Institutions Fund (CDFI Fund) as a qualified Community Development Entity (CDE) that holds New Markets Tax Credit (NMTC) allocation authority to assist it in raising capital for investment in Qualified Active Low-Income Community Businesses (QALICB) pursuant to Section 45D of the Internal Revenue Code (IRC). In addition, the Corporation provides management and operational services to LADF I, LLC (LADF I), LADF II, LLC (LADF II), LADF III, LLC (LADF III), LADF IV, LLC (LADF IV), LADF V, LLC (LADF V), LADF VI, LLC (LADF VI), LADF VII, LLC (LADF VII), LADF VIII, LLC (LADF VIII) and LADF IX, LLC (LADF IX) (collectively the sub-CDEs). In exchange for providing these services, the Corporation earns fees related to the placement and servicing of NMTC's with the sub-CDEs. The Corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the IRC.

LADF Management, Inc. (the Subsidiary) was formed under the laws of the State of Delaware on March 3, 2008 and commenced operations on December 18, 2009, for the purpose of engaging in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware. The Subsidiary is 100% owned by the Corporation. The Subsidiary provides fund management services to Chase NMTC Food4Less Investment Fund, LLC (Food4Less Fund) and Chase NMTC Wilshire YMCA Investment Fund, LLC (Wilshire YMCA Fund). In exchange for these services, the Subsidiary earns quarterly management fees.

The Corporation has entered into an allocation agreement with the CDFI Fund. An allocation agreement places restrictions on a CDE's operations, including, but not limited to, the specific geographic area of the low-income communities the CDE must serve. The Corporation has agreed to serve low-income communities within the County of Los Angeles in the State of California. The Corporation was granted an allocation of \$75 million of the 2007 NMTC allocation and an allocation of \$50 million of the 2011 NMTC allocation. As of December 31, 2013, \$75,000,000 of the 2007 allocation has been allocated as follows: \$20,000,000, \$15,000,000, \$12,493,322, \$15,000,000, \$7,506,678, and \$5,000,000 to LADF I, LADF II, LADF III, LADF IV, LADF V, and LADF VIII, respectively. LADF II and III combined provided \$27,493,322 for the Food4Less transaction. As of December 31, 2013, \$40,000,000 of the 2011 NMTC allocation has been allocated as follows: \$5,000,000, \$10,000,000, \$10,000,000, \$5,000,000 and \$10,000,000 to LADF V, LADF VI, LADF VII, LADF VIII and LADF IX, respectively. In general, under Section 45D of the IRC, a qualified investor in a CDE can receive the NMTC to be used to reduce federal taxes otherwise due in each year of a seven-year period.

The Corporation and Subsidiary will continue to be in full force indefinitely unless terminated pursuant to the articles of incorporation or law.

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Principles of consolidation

The consolidated financial statements include the accounts of the wholly-owned Subsidiary. All material intercompany transactions and balances have been eliminated in consolidation.

Basis of presentation

The consolidated financial statement presentation follows the recommendations of certain guidance issued by the FASB regarding financial statements of not-for-profit organizations. Under this guidance, the Corporation is required to report information regarding its financial position and activities according to three classes: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2013 and 2012, all net assets are unrestricted. The Corporation's program services are all related to one program which is to make qualified low-income community investments throughout the County of Los Angeles or other activities which qualify for the NMTC; therefore, all expenses reported in the consolidated financial statements are related to that program.

Use of estimates

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

Cash and cash equivalents

Cash and cash equivalents include investments with maturities of three months or less from the date of purchase.

Investments in limited liability companies

The Subsidiary is a member in eleven affiliated limited liability companies which provide financing for entities operating in low-income communities. The ownership interests are not consolidated as they are not controlled by the Company.

The Subsidiary holds a managing member interest of .01% in the sub-CDEs, Food4Less Fund, and Wilshire YMCA Fund, which are accounted for using the equity method of accounting. Under the equity method of accounting, the initial investment is recorded at cost, and increased or decreased by the Subsidiary's share of the sub-CDEs, Food4Less Fund, and Wilshire YMCA Fund's income or loss, and is increased or decreased by the amount of any contribution made and distributions received. Losses in excess of the investment balances are not recognized, but rather carried forward to offset future income.

The Subsidiary regularly assesses the carrying value of its investments in the sub-CDEs, Food4Less Fund, and Wilshire YMCA Fund. If the carrying value exceeds the estimated value derived by management, the Subsidiary reduces its investment and includes such reduction as an impairment loss. As of December 31, 2013 and 2012, no impairment losses have been recognized.

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

During the year ended December 31, 2013, LADF X, LLC, LADF XI, LLC and LADF XII, LLC were formed to be sub-CDEs, but have not been allocated NMTC allocation as of December 31, 2013. The Corporation and Subsidiary have a 99.0% and 1.0% interest, respectively, in LADF X, LLC, LADF XI, LLC and LADF XII, LLC. The Subsidiary performs the management and operational services for LADF X, LLC, LADF XI, LLC and LADF XII, LLC.

Net assets

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of December 31, 2013 and 2012, all of the Corporation and Subsidiary's net assets are unrestricted.

Placement fee

Placement fees received by the Corporation in consideration for the placement services of the sub-CDEs' loans to the QALICB's are recognized as earned.

Loan servicing and compliance fee

Loan servicing and compliance fees are recognized as earned by the Corporation. Fees prepaid to the Corporation in association with LADF I's loan to the QALICB are amortized over the term of the service agreement on the straight-line method. The loan servicing fees recognized for the years ended December 31, 2013 and 2012 were \$64,286 and \$64,286, respectively and are included in loan servicing and compliance fee on the consolidated statements of activities. Estimated loan servicing fee income for each of the ensuing years through December 31, 2015 is \$64,286, respectively, and \$63,736 for the year ended December 31, 2016. As of December 31, 2013 and 2012, the unamortized deferred loan servicing and compliance fee was \$192,308 and \$256,594, respectively.

Functional expenses

The Corporation and Subsidiary report their expenses on a functional basis. The Corporation and Subsidiary's program services are all related to one program which is to make qualified low-income community investments throughout the County of Los Angeles or other activities which qualify for the NMTC; therefore, all expenses reported in the consolidated financial statements are related to that program.

Income taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the IRC and did not have any unrelated business income for the years ended December 31, 2013 and 2012. Accordingly, no provision for income taxes has been included in the accompanying consolidated financial statements.

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

The Subsidiary is treated as a corporation for tax purposes. For the years ended December 31, 2013 and 2012, the Subsidiary incurred \$9,247 and \$6,872 of income taxes, respectively

Note 2 - Related party transactions

Management fee

In accordance with the management service agreement, the Corporation shall reimburse CRA/LA, A Designated Local Authority for all services performed related to the management and operation of the Corporation. The management service agreement expired in February 2012, at which point the Corporation elected a one-year extension. As of December 31, 2013, the extended management service agreement has expired. The CRA/LA's existing obligations were also transferred to the CRA/LA, A Designated Local Authority in response to the California Dissolution Act in which California's redevelopment agencies were officially dissolved as of February 1, 2012. For the years ended December 31, 2013 and 2012, total fees charged to operations were \$63,329 and \$202,479, respectively. As of December 31, 2013 and 2012, \$0 and \$60,465, respectively, remain payable and are included in due to affiliate on the consolidated statements of financial position.

Other loan payable

On February 25, 2009, the Corporation entered into a loan agreement with CRA/LA in the maximum amount of \$700,000. The advance constitutes start up working capital related to the operation and management of the Corporation. The note bears interest at a rate of 3% per annum. In accordance with the payment terms of the loan agreement, the Corporation is required to repay all principal and accrued interest on the draw amount on the loan within 45 days of the receipt of any fee income generated in carrying out NMTC program transactions. The terms also require the Corporation to notify CRA/LA 10 days in advance of any anticipated receipt of any fee income. The loan shall be paid to CRA/LA from a first priority interest in any and all fee income generated by the Corporation from its new markets tax credit program transactions and activities. The loan matured on February 25, 2012, at which time all accrued interest and unpaid principal was due.

On September 12, 2011, CRA/LA loaned the Corporation \$200,000. In January 2012, the Corporation repaid the \$200,000 outstanding principal balance and related interest of \$2,877. As of December 31, 2013 and 2012, there are no outstanding principal or accrued interest balances.

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Note 3 - Investments in limited liability companies

The Subsidiary accounted for its managing member interests in the following investments in limited liability companies using the equity method:

Investment	2013	2012	Ownership Interest
LADF I, LLC	\$ 2,002	\$ 2,002	0.01%
LADF II, LLC	1,503	1,503	0.01%
LADF III, LLC	1,252	1,252	0.01%
Chase NMTC Food4Less Investment Fund, LLC	785	784	0.01%
LADF IV, LLC	1,502	1,502	0.01%
LADF V, LLC	1,251	1,251	0.01%
LADF VI, LLC	1,002	1,002	0.01%
LADF VII, LLC	1,000	1,000	0.01%
LADF VIII, LLC	1,000	1,000	0.01%
Chase NMTC Wilshire YMCA Investment Fund, LLC	854	859	0.01%
LADF IX, LLC	1,000	-	0.01%
	<u>\$ 13,151</u>	<u>\$ 12,155</u>	

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

The following information is a summary of the financial position and results of operations of LADF I as of and for the years ended December 31, 2013 and 2012:

Summarized Balance Sheets

	<u>Assets</u>	
	<u>2013</u>	<u>2012</u>
Cash	\$ 2,026	\$ 2,001
Interest receivable	20,834	20,834
Notes receivable	20,000,000	20,000,000
Other receivable	40	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 20,022,900</u>	<u>\$ 20,022,835</u>
	<u>Liabilities and Members' Equity</u>	
Liabilities	\$ 65	\$ -
Members' equity	<u>20,022,835</u>	<u>20,022,835</u>
	<u> </u>	<u> </u>
Total liabilities and members' equity	<u>\$ 20,022,900</u>	<u>\$ 20,022,835</u>

Summarized Statements of Operations

Operating income (expenses)		
Operating revenue	\$ 327,545	\$ 327,196
Operating expense	<u>(77,544)</u>	<u>(77,196)</u>
	<u> </u>	<u> </u>
Net income	<u>\$ 250,001</u>	<u>\$ 250,000</u>
	<u> </u>	<u> </u>
The Subsidiary's share of current year income	<u>\$ 25</u>	<u>\$ 25</u>

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

The following information is a summary of the financial position and results of operations of LADF II as of and for the years ended December 31, 2013 and 2012:

Summarized Balance Sheets

	<u>Assets</u>	
	2013	2012
Cash	\$ 23,627	\$ 18,955
Interest receivable	45,188	45,188
Other receivable	-	-
Notes receivable	15,000,000	15,000,000
Total assets	<u>\$ 15,068,815</u>	<u>\$ 15,064,143</u>
	<u>Liabilities and Members' Equity</u>	
Liabilities	\$ 24,234	\$ 24,159
Members' equity	15,044,581	15,039,984
Total liabilities and members' equity	<u>\$ 15,068,815</u>	<u>\$ 15,064,143</u>

Summarized Statements of Operations

Operating income (expenses)		
Operating revenue	\$ 180,750	\$ 180,750
Operating expense	(47,905)	(47,850)
Net income	<u>\$ 132,845</u>	<u>\$ 132,900</u>
The Subsidiary's share of current year income	<u>\$ 13</u>	<u>\$ 13</u>

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

The following information is a summary of the financial position and results of operations of LADF III as of and for the years ended December 31, 2013 and 2012:

Summarized Balance Sheets

	<u>Assets</u>	
	2013	2012
Cash	\$ 23,370	\$ 18,700
Interest receivable	37,636	37,636
Other receivable	-	-
Notes receivable	12,493,322	12,493,322
Total assets	<u>\$ 12,554,328</u>	<u>\$ 12,549,658</u>
	<u>Liabilities and Members' Equity</u>	
Liabilities	\$ 22,669	\$ 22,595
Members' equity	12,531,659	12,527,063
Total liabilities and members' equity	<u>\$ 12,554,328</u>	<u>\$ 12,549,658</u>

Summarized Statements of Operations

Operating income (expenses)		
Operating revenue	\$ 150,545	\$ 150,545
Operating expense	(41,638)	(41,583)
Net income	<u>\$ 108,907</u>	<u>\$ 108,962</u>
The Subsidiary's share of current year income	<u>\$ 11</u>	<u>\$ 11</u>

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

The following information is a summary of the financial position and results of operations of LADF IV as of and for the years ended December 31, 2013 and 2012:

Summarized Balance Sheets

	<u>Assets</u>	
	<u>2013</u>	<u>2012</u>
Cash	\$ 27,025	\$ 22,764
Notes receivable	<u>15,000,000</u>	<u>15,000,000</u>
Total assets	<u>\$ 15,027,025</u>	<u>\$ 15,022,764</u>
	<u>Liabilities and Members' Equity</u>	
Liabilities	\$ 1,066	\$ 2,450
Members' equity	<u>15,025,959</u>	<u>15,020,314</u>
Total liabilities and members' equity	<u>\$ 15,027,025</u>	<u>\$ 15,022,764</u>

Summarized Statements of Operations

Operating income (expenses)		
Operating revenue	\$ 210,804	\$ 234,822
Operating expense	<u>(49,814)</u>	<u>(49,050)</u>
Net income	<u>\$ 160,990</u>	<u>\$ 185,772</u>
The Subsidiary's share of current year income	<u>\$ 16</u>	<u>\$ 19</u>

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

The following information is a summary of the financial position and results of operations of LADF V as of and for the years ended December 31, 2013 and 2012:

Summarized Balance Sheets

	<u>Assets</u>	
	<u>2013</u>	<u>2012</u>
Cash	\$ 1,251	\$ 5,255
Interest receivable	2,018	13,227
Notes receivable	<u>12,506,678</u>	<u>12,506,678</u>
Total assets	<u>\$ 12,509,947</u>	<u>\$ 12,525,160</u>

	<u>Liabilities and Members' Equity</u>	
Liabilities	\$ 2,018	\$ 17,231
Members' equity	<u>12,507,929</u>	<u>12,507,929</u>
Total liabilities and members' equity	<u>\$ 12,509,947</u>	<u>\$ 12,525,160</u>

Summarized Statements of Operations

Operating income (expenses)		
Operating revenue	\$ 166,792	\$ 58,042
Operating expense	<u>(41,725)</u>	<u>(13,227)</u>
Net income	<u>\$ 125,067</u>	<u>\$ 44,815</u>
The Subsidiary's share of current year income	<u>\$ 13</u>	<u>\$ 4</u>

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

The following information is a summary of the financial position and results of operations of LADF VI as of and for the years ended December 31, 2013 and 2012:

Summarized Balance Sheets

	<u>Assets</u>	
	<u>2013</u>	<u>2012</u>
Cash	\$ 1,000	\$ 1,002
Interest receivable	14,518	19,281
Notes receivable	<u>10,000,000</u>	<u>10,000,000</u>
Total assets	<u>\$ 10,015,518</u>	<u>\$ 10,020,283</u>

	<u>Liabilities and Members' Equity</u>	
Liabilities	\$ 14,516	\$ 19,281
Members' equity	<u>10,001,002</u>	<u>10,001,002</u>
Total liabilities and members' equity	<u>\$ 10,015,518</u>	<u>\$ 10,020,283</u>

Summarized Statements of Operations

Operating income (expenses)		
Operating revenue	\$ 130,088	\$ 43,447
Operating expense	<u>(60,488)</u>	<u>(19,281)</u>
Net income	<u>\$ 69,600</u>	<u>\$ 24,166</u>
The Subsidiary's share of current year income	<u>\$ 7</u>	<u>\$ 2</u>

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

The following information is a summary of the financial position and results of operations of LADF VII as of and for the years ended December 31, 2013 and 2012:

Summarized Balance Sheets

	<u>Assets</u>	
	<u>2013</u>	<u>2012</u>
Cash	\$ 1,041	\$ 1,000
Interest receivable	12,727	977
Notes receivable	<u>10,000,000</u>	<u>10,000,000</u>
Total assets	<u>\$ 10,013,768</u>	<u>\$ 10,001,977</u>

	<u>Liabilities and Members' Equity</u>	
Liabilities	\$ 12,727	\$ 977
Members' equity	<u>10,001,041</u>	<u>10,001,000</u>
Total liabilities and members' equity	<u>\$ 10,013,768</u>	<u>\$ 10,001,977</u>

Summarized Statements of Operations

Operating income (expenses)		
Operating revenue	\$ 180,177	\$ 2,817
Operating expense	<u>(60,685)</u>	<u>(1,525)</u>
Net income	<u>\$ 119,492</u>	<u>\$ 1,292</u>
The Subsidiary's share of current year income	<u>\$ 12</u>	<u>\$ -</u>

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

The following information is a summary of the financial position and results of operations of LADF VIII as of and for the period ended December 31, 2013 and 2012:

Summarized Balance Sheets

	<u>Assets</u>	
	<u>2013</u>	<u>2012</u>
Cash	\$ 1,219	\$ 1,000
Other receivable	422	977
Notes receivable	<u>10,000,000</u>	<u>10,000,000</u>
Total assets	<u>\$ 10,001,641</u>	<u>\$ 10,001,977</u>

	<u>Liabilities and Members' Equity</u>	
Liabilities	\$ 422	\$ 977
Members' equity	<u>10,001,219</u>	<u>10,001,000</u>
Total liabilities and members' equity	<u>\$ 10,001,641</u>	<u>\$ 10,001,977</u>

Summarized Statements of Operations

Operating income (expenses)		
Operating revenue	\$ 126,205	\$ 977
Operating expense	<u>(48,318)</u>	<u>(977)</u>
Net income	<u>\$ 77,887</u>	<u>\$ -</u>
The Subsidiary's share of current year income	<u>\$ 8</u>	<u>\$ -</u>

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

The following information is a summary of the financial position and results of operations of LADF IX as of and for the year ended December 31, 2013:

Summarized Balance Sheet

<u>Assets</u>	
Cash	\$ 1,087
Interest receivable	2,952
Notes receivable	<u>10,000,000</u>
Total assets	<u>\$ 10,004,039</u>

<u>Liabilities and Members' Equity</u>	
Liabilities	\$ 2,952
Members' Equity	<u>10,001,087</u>
Total liabilities and members' equity	<u>\$ 10,004,039</u>

Summarized Statement of Operations

Operating income (expenses)	
Operating revenue	\$ 48,786
Operating expense	<u>(18,235)</u>
Net income	<u>\$ 30,551</u>
The Subsidiary's share of current year income	<u>\$ 3</u>

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

The following information is a summary of the financial position and results of operations of Food4Less Fund as of and for the years ended December 31, 2013 and 2012:

Summarized Balance Sheets

	<u>Assets</u>	
	<u>2013</u>	<u>2012</u>
Cash	\$ 12,186	\$ 9,104
Investment in LADF II and LADF III	<u>27,564,183</u>	<u>27,554,990</u>
Total assets	<u>\$ 27,576,369</u>	<u>\$ 27,564,094</u>
	<u>Liabilities and Members' Equity</u>	
Liabilities	\$ 19,735,303	\$ 19,735,253
Members' equity	<u>7,841,066</u>	<u>7,828,841</u>
Total liabilities and members' equity	<u>\$ 27,576,369</u>	<u>\$ 27,564,094</u>

Summarized Statements of Operations

Operating income (expenses)		
Operating revenue	\$ 241,743	\$ 232,547
Operating expense	<u>(229,519)</u>	<u>(230,379)</u>
Net income	<u>\$ 12,224</u>	<u>\$ 2,168</u>
The Subsidiary's share of current year income	<u>\$ 1</u>	<u>\$ 1</u>

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

The following information is a summary of the financial position and results of operations of Wilshire YMCA Fund as of and for the years ended December 31, 2013 and 2012:

Summarized Balance Sheets

	<u>Assets</u>	
	2013	2012
Cash	\$ 31,330	\$ 11,576
Other receivable	865	4,360
Investment in LADF V, LEDC IV, CNMC 3	28,233,344	28,306,678
Total assets	\$ 28,265,539	\$ 28,322,614
	<u>Liabilities and Members' Equity</u>	
Liabilities	\$ 19,707,513	\$ 19,711,008
Members' equity	8,558,026	8,611,606
Total liabilities and members' equity	\$ 28,265,539	\$ 28,322,614

Summarized Statements of Operations

Operating income (expenses)		
Operating revenue	\$ 189,033	\$ 80,690
Operating expense	(218,674)	(79,975)
Net (loss) income	\$ (29,641)	\$ 715
The Subsidiary's share of current year loss	\$ (4)	\$ -

Note 4 - Fees earned

Placement fee

During 2012, in accordance with the NMTC Fee and Expense Agreement, the QALICB of LADF V, QALICB of LADF VI, QALICB of LADF VII, and QALICB of LADF VIII paid the Corporation a placement fee in the amount of \$250,134, \$200,000, \$200,000, and \$200,000, respectively, for the placement and funding of the loan.

During 2013, in accordance with the NMTC Fee and Expense Agreement, the QALICB of LADF IX paid the Corporation a placement fee in the amount of \$200,000 for the placement and funding of the loan.

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Loan servicing and compliance fee

In accordance with the NMTC Fee and Expense Agreement, YWCA GLA Urban Campus Development Corporation (QALICB-YWCA) of LADF I shall pay the Corporation a total loan servicing and compliance fee in the amount of \$350,000 for the administration and servicing of the loan in two installments. The QALICB paid the Corporation the first installment of the fee in the amount of \$100,000 in 2009 and the second installment in the amount of \$250,000 upon the completion of the construction of the project in 2012.

In accordance with the NMTC Fee and Expense Agreement, LADF II shall pay the Corporation a loan servicing and compliance fee in the amount of \$37,500 per annum. For the years ended December 31, 2013 and 2012, such fees earned by the Corporation were \$37,500 and \$37,500, respectively. As of December 31, 2013 and 2012, \$9,359 and \$9,359, respectively, remain receivable and are included in fees receivable on the consolidated statements of financial position.

In accordance with the NMTC Fee and Expense Agreement, LADF III shall pay the Corporation a loan servicing and compliance fee in the amount of \$31,233 per annum. For the years ended December 31, 2013 and 2012, such fees earned by the Corporation were \$31,233 and \$31,233, respectively. As of December 31, 2013 and 2012, \$7,795 and \$7,795, respectively, remain receivable and are included in fees receivable on the consolidated statements of financial position.

In accordance with the NMTC Fee and Expense Agreement, LADF IV shall pay the Corporation a loan servicing and compliance fee in the amount of \$37,500 per annum. For the years ended December 31, 2013 and 2012, such fees earned by the Corporation were \$37,500 and \$37,500, respectively. As of December 31, 2013 and 2012, \$0 and \$1,250, respectively, remain receivable and are included in fees receivable on the consolidated statements of financial position.

In accordance with the NMTC Fee and Expense Agreement, LADF V shall pay the Corporation a loan servicing and compliance fee in the amount of \$31,267 per annum. For the year ended December 31, 2013 and for the period from August 22, 2012 (inception) through December 31, 2012, such fees earned by the Corporation were \$31,627 and \$11,307, respectively. As of December 31, 2013 and 2012, \$0 and \$11,307, respectively remain receivable, and are included in fees receivable on the consolidated statements of financial position.

In accordance with the NMTC Fee and Expense Agreement, LADF VI shall pay the Corporation a loan servicing and compliance fee in the amount of \$50,000 per annum. For the year ended December 31, 2013 and for the period from August 27, 2012 (inception) through December 31, 2012, such fees earned by the Corporation were \$50,000 and \$17,361, respectively. As of December 31, 2013 and 2012, \$12,500 and \$17,361, respectively remain receivable and are included in fees receivable on the consolidated statements of financial position.

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

In accordance with the NMTC Fee and Expense Agreement, LADF VII shall pay the Corporation a loan servicing and compliance fee in the amount of \$50,000 per annum. For the year ended December 31, 2013 and for the period from December 28, 2012 (inception) through December 31, 2012, such fees earned by the Corporation were \$50,000 and \$548, respectively. As of December 31, 2013 and 2012, \$12,500 and \$0, respectively, remain receivable and are included in fees receivable on the consolidated statements of financial position.

In accordance with the NMTC Fee and Expense Agreement, LADF VIII shall pay the Corporation a loan servicing and compliance fee in the amount of \$37,500 per annum. For the year ended December 31, 2013 and for the period from December 31, 2012 (inception) through December 31, 2012, such fees earned by the Corporation were \$37,500 and \$0, respectively.

In accordance with the NMTC Fee and Expense Agreement, LADF IX shall pay the Corporation a loan servicing and compliance fee in the amount of \$50,000 per annum. For the period from September 11, 2013 (inception) through December 31, 2013, such fee earned and paid by the Corporation was \$15,278.

Asset management fee

In accordance with the Food4Less Fund operating agreement, the managing member of the Food4Less Fund earns an annual asset management fee of \$24,000, payable in quarterly installments, for its services in managing the Food4Less Fund's investments. Such fees earned for the years ended December 31, 2013 and 2012 were \$24,000 and \$24,000, respectively, of which \$6,000 and \$6,000 remain unpaid and are included in fees receivable on the consolidated statements of financial position at December 31, 2013 and 2012, respectively.

In accordance with the Wilshire YMCA Fund operating agreement, the managing member of the Wilshire YMCA Fund earns an annual asset management fee of \$12,000, payable in quarterly installments, for its services in managing the Wilshire YMCA Fund's investments. Such fees earned for the year ended December 31, 2013 and for the period from August 22, 2012 (inception) through December 31, 2012, were \$12,000 and \$4,340, respectively, of which \$0 and \$4,340 remain unpaid and are included in fees receivable on the consolidated statements of financial position as of December 31, 2013 and 2012, respectively.

Note 5 - Other related party activity

Distribution receivable

In accordance with the LADF V amended and restated operating agreement, the Subsidiary is owed quarterly distributions made in accordance with its percentage interest. As of December 31, 2013 and 2012, distributions from LADF V of \$0 and \$4, respectively, had not been received and are included in accounts receivable on the consolidated statements of financial position.

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

In accordance with the LADF I amended and restated operating agreement, the Subsidiary is owed quarterly distributions made in accordance with its percentage interest. As of December 31, 2013 and 2012, distributions from LADF I of \$25 and \$0, respectively, had not been received and are included in accounts receivable on the consolidated statements of financial position.

Due from Food4Less Fund

During 2012, LADF II and LADF III transferred funds of \$4,000 each to Food4Less Fund, on behalf of the Subsidiary, for its use in normal operating activities. As of December 31, 2013 and 2012, \$8,000 and \$8,000 remain receivable and are included in accounts receivable on the consolidated statements of financial position.

Reimbursable investee expenditures

The Corporation and Subsidiary are reimbursed for actual costs incurred on behalf of the sub-CDEs, Food4Less Fund, and Wilshire YMCA Fund for certain operating and other expenses. Reimbursable investee expenditures incurred by the Corporation and Subsidiary on behalf of the entities' was collectively \$110,005 and \$60,633 during the years ended December 31, 2013 and 2012, respectively. The investee expenditures were offset by expense reimbursement income billed back to these entities, except for \$977 of expenses which were billed to LADF IX during 2013. For the years ended December 31, 2013 and 2012, reimbursement income was \$977 and \$0, respectively. As of December 31, 2013 and 2012, \$39,391 and \$36,614, respectively, of reimbursable investee expenditures remain receivable and are included in accounts receivable on the consolidated statements of financial position.

The Los Angeles Development Fund and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

The table below presents the reimbursable investee expenditures incurred during the years ended December 31, 2013 and 2012 and amounts receivable from each entity as of December 31, 2013 and 2012:

Investment	Amounts Incurred On Behalf of Investees During 2013	Amounts Receivable From Investees as of December 31, 2013	Amounts Incurred on Behalf of Investees During 2012	Amounts Receivable From Investees as of December 31, 2012
LADF I, LLC	\$ 13,258	\$ 25	\$ 12,910	\$ -
LADF II, LLC	10,405	14,875	10,350	14,800
LADF III, LLC	10,405	14,875	10,350	14,800
Chase NMTC Food4Less Investment Fund, LLC	8,798	50	9,659	-
LADF IV, LLC	12,314	1,066	11,550	1,200
LADF V, LLC	10,458	2,018	1,920	1,920
LADF VI, LLC	10,488	2,016	1,920	1,920
LADF VII, LLC	10,582	227	977	977
LADF VIII, LLC	10,737	422	977	977
LADF IX, LLC	2,952	2,952	-	-
Chase NMTC Wilshire YMCA Investment Fund, LLC	9,608	865	20	20
	<u>\$ 110,005</u>	<u>\$ 39,391</u>	<u>\$ 60,633</u>	<u>\$ 36,614</u>

Note 6 - Refundable deposits

During the year ended December 31, 2013, the Corporation received a refundable deposit from the QALICB of LADF X in the amount of \$25,000. The Corporation may use the deposit to pay for the evaluation, negotiation and documentation of the proposed new market tax credit transaction. As of December 31, 2013, \$25,000 remains refundable.

Note 7 - Concentration of credit risk

The Corporation maintains its cash balances in several accounts in one bank. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2013.

Note 8 - Contingency and risks

The security of the Corporation's NMTC is contingent on the Corporation maintaining compliance with applicable sections of 45D of the IRC and its Allocation Agreement with the CDFI Fund. Failure to maintain compliance or to correct noncompliance within a specified time period could result in the CDFI Fund exercising its right to take certain actions against the CDE as provided for in the subject Allocation Agreement.

The Los Angeles Development Fund and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2013 and 2012**

Note 9 - Subsequent events

Management evaluated all activity of the Company through June 6, 2014 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to consolidated financial statements.

Supplementary Information

The Los Angeles Development Fund and Subsidiary

**Consolidating Statements of Financial Position
December 31, 2013**

	The Los Angeles Development Fund	LADF Management, Inc.	Eliminations	Total
	<u>Assets</u>			
Cash	\$ 1,060,428	\$ 122,936	\$ -	\$ 1,183,364
Due from affiliate	97,452	-	(97,452)	-
Fees receivable	42,154	6,000	-	48,154
Accounts receivable	8,650	38,781	-	47,431
Investments in limited liability companies	-	13,151	-	13,151
Investment in subsidiary	83,416	-	(83,416)	-
Prepaid expenses	2,051	-	-	2,051
	<u>\$ 1,294,151</u>	<u>\$ 180,868</u>	<u>\$ (180,868)</u>	<u>\$ 1,294,151</u>
	<u>Liabilities and Net Assets</u>			
Liabilities				
Accounts payable and accrued expenses	\$ 45,747	\$ -	\$ -	\$ 45,747
Deferred loan servicing and compliance fee, net	192,308	-	-	192,308
Refundable deposits	25,000	-	-	25,000
Due to affiliate	-	97,452	(97,452)	-
	<u>263,055</u>	<u>97,452</u>	<u>(97,452)</u>	<u>263,055</u>
Net assets - unrestricted	<u>1,031,096</u>	<u>83,416</u>	<u>(83,416)</u>	<u>1,031,096</u>
	<u>\$ 1,294,151</u>	<u>\$ 180,868</u>	<u>\$ (180,868)</u>	<u>\$ 1,294,151</u>

The Los Angeles Development Fund and Subsidiary

**Consolidating Statements of Financial Position
December 31, 2012**

	The Los Angeles Development Fund	LADF Management, Inc.	Eliminations	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>Assets</u>			
Cash	\$ 1,132,322	\$ 61,402	\$ -	\$ 1,193,724
Due from affiliate	64,557	-	(64,557)	-
Fees receivable	47,072	10,340	-	57,412
Accounts receivable	5,814	38,804	-	44,618
Investments in limited liability companies	-	12,155	-	12,155
Investment in subsidiary	58,144	-	(58,144)	-
Prepaid expenses	2,052	-	-	2,052
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,309,961</u>	<u>\$ 122,701</u>	<u>\$ (122,701)</u>	<u>\$ 1,309,961</u>
	<u>Liabilities and Net Assets</u>			
Liabilities				
Accounts payable and accrued expenses	\$ 12,477	\$ -	\$ -	\$ 12,477
Deferred loan servicing and compliance fee, net	256,594	-	-	256,594
Refundable deposits	50,000	-	-	50,000
Due to affiliate	60,465	64,557	(64,557)	60,465
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	379,536	64,557	(64,557)	379,536
Net assets - unrestricted	<u>930,425</u>	<u>58,144</u>	<u>(58,144)</u>	<u>930,425</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 1,309,961</u>	<u>\$ 122,701</u>	<u>\$ (122,701)</u>	<u>\$ 1,309,961</u>

The Los Angeles Development Fund and Subsidiary

**Consolidating Statements of Activities
Year Ended December 31, 2013**

	The Los Angeles Development Fund	LADF Management, Inc.	Eliminations	Total
Income				
Placement fee	\$ 200,000	\$ -	\$ -	\$ 200,000
Loan servicing and compliance fee	354,563	-	-	354,563
Asset management fees	-	36,000	-	36,000
Reimbursement income	977			977
Income from investment in limited liability company	-	105	-	105
Income from investment in subsidiary	25,272	-	(25,272)	-
Interest income - bank	364	1	-	365
Total income	581,176	36,106	(25,272)	592,010
Expenses				
Consultant fees	37,173	-	-	37,173
Salary expense	289,475	-	-	289,475
Payroll expense	18,268	-	-	18,268
Insurance expense	8,192	-	-	8,192
Legal fees	5,428	-	-	5,428
Management fees	63,329	-	-	63,329
Professional fees	49,095	328	-	49,423
Miscellaneous administrative expense	9,545	10,506	-	20,051
Total expenses	480,505	10,834	-	491,339
Change in unrestricted net assets	100,671	25,272	(25,272)	100,671
Net assets - unrestricted, beginning of year	930,425	58,144	(58,144)	930,425
Net assets - unrestricted, end of year	\$ 1,031,096	\$ 83,416	\$ (83,416)	\$ 1,031,096

The Los Angeles Development Fund and Subsidiary

**Consolidating Statements of Activities
Year Ended December 31, 2012**

	The Los Angeles Development Fund	LADF Management, Inc.	Eliminations	Total
Income				
Placement fee	\$ 850,134	\$ -	\$ -	\$ 850,134
Loan servicing and compliance fee	199,735	-	-	199,735
Asset management fees	-	28,340	-	28,340
Income from investment in limited liability company	-	73	-	73
Income from investment in subsidiary	28,025	-	(28,025)	-
Interest income - bank	299	2	-	301
Total income	1,078,193	28,415	(28,025)	1,078,583
Expenses				
Consultant fees	134,892	-	-	134,892
Interest expense	510	-	-	510
Insurance expense	4,199	-	-	4,199
Legal fees	24,740	-	-	24,740
Management fees	202,479	-	-	202,479
Professional fees	36,140	-	-	36,140
Miscellaneous administrative expense	4,784	390	-	5,174
Total expenses	407,744	390	-	408,134
Change in unrestricted net assets	670,449	28,025	(28,025)	670,449
Net assets - unrestricted, beginning of year	259,976	30,119	(30,119)	259,976
Net assets - unrestricted, end of year	\$ 930,425	\$ 58,144	\$ (58,144)	\$ 930,425

Tab 4

MEMORANDUM

TO: LADF Board of Directors
FROM: Rushmore Cervantes, LADF President
DATE: July 3, 2014
SUBJECT: Annual Cost of Living Salary Adjustment

RECOMMENDATION

That the Los Angeles Development Fund ("LADF") Governing Board of Directors approves a 5.5% Cost of Living wage increase for Sandra Rahimi and Chris Chorebanian, effective as of pay period beginning on February 23, 2014.

SUMMARY AND BACKGROUND

On February 14, 2013, the LADF Governing Board of Directors approved an action item to engage Sandra Rahimi as Manager and Chris Chorebanian as Associate of LADF. Subsequently, LADF negotiated employment terms with Ms. Rahimi and Mr. Chorebanian. LADF provided offer letters for at-will employment to both individuals on February 21, 2013, with first pay period beginning on February 24, 2013.

Employment terms with Ms. Rahimi and Mr. Chorebanian included limited benefits. Specifically, neither medical/dental coverage nor any employer contributions to retirement savings are provided to Ms. Rahimi or Mr. Chorebanian as employee benefits.

The offer letters provided to Ms. Rahimi and Mr. Chorebanian stipulate that the Company will review their respective salaries once a year. Thus, the review of fiscal impact for a wage adjustment is to be measured retroactively on February 25, 2014. As a measure of reasonableness, LADF cites the 5.5% step increase provided to most non-executive City of Los Angeles employees for fiscal year 2014.

FISCAL IMPACT

A summary review of LADF's ongoing sources of revenue and fixed expenses shows that the proposed wage adjustment will not have a material impact on LADF's expected cash flow. The following table provides the necessary analysis to support this conclusion:

2014 Forecast¹	
<u>Recurring Revenue Items</u>	
CDE Asset Mgmt Fees	\$415,000
Inv. Fund Mgmt Fees	\$36,000
	\$451,000
<u>Fixed Expense Items</u>	
Audit/Tax Prep.	\$10,000
Accounting Consultant	\$40,000 (approx)
Compliance Consultant	\$12,000
Legal	\$5,000 (approx)
Insurance	\$10,000 (approx)
Taxes	\$10,000 (approx)
	\$87,000
Cash Flow Available for Salaries	\$364,000

¹ Note: This table does not represent a full 2014 budget and excludes variable expenses incurred from LADF engaging in additional investment activity as well as expenses that are reimbursed by the Qualified Borrowers for LADF's NMTC loans.

Using conservative assumptions, the 2014 Forecast table analysis concludes that \$364,000 will be available to LADF from its recurring fixed cash flow items, which amount may be applied towards salaries and wages. The first year of employment provided to Ms. Rahimi and Mr. Chorebanian (February 2013 to February 2014) had a combined cost to LADF (including the employer's share of employment taxes) of \$345,100. With a 5.5% wage adjustment, this combined employee cost will increase to approximately \$362,600, falling within the \$364,000 forecasted cash flow available for salaries. Additionally, since the effective date for the wage adjustment is proposed to begin on February 23, 2014 (after one year of employment), the fiscal impact for the 2014 calendar year will be less (approximately \$359,900). This analysis is further represented in the following table:

	Sandra Rahimi	Chris Chorebanian	TOTAL
<u>Current Employer Obligations</u>			
Annual Salary Amount	\$209,165	\$109,980	\$319,145
Add'l Employer Payroll Expenses - inc. taxes and fees			\$22,383
Workers' Compensation Insurance ¹			\$3,603
TOTAL CURRENT EMPLOYER OBLIGATION			<u>\$345,131</u>
<u>Employer Obligations after Adjustment</u>			
Annual Salary Amount	\$220,670	\$116,029	\$336,699
Add'l Employer Payroll Expenses - inc. taxes and fees (<i>approx</i>)			\$23,614
Workers' Compensation Insurance ²			\$2,237
TOTAL EMPLOYER OBLIGATION AFTER ADJUSTMENT			<u>\$362,550</u>

In addition to recurring cash flow to support the increased cost of the proposed salary adjustment, as of December 31, 2013, LADF had slightly more than \$1.1 million in unrestricted cash balances.

¹ Represents the premium for Workers' Compensation Insurance obtained through April 2014

² Represents the premium for Workers' Compensation Insurance obtained from new provider after April 2014

Tab 5

MEMORANDUM

TO: LADF Board of Directors
FROM: Sandra Rahimi, LADF Secretary
DATE: July 3, 2014
SUBJECT: Strategy for 2014 NMTC Application

RECOMMENDATION

That the Los Angeles Development Fund (“LADF”) Governing Board of Directors authorizes LADF staff to engage SZ Consulting to assist in the writing of the application for the next round of NMTC allocation awards and Novogradac for final review. Maximum estimated upfront cost is \$46,000 with a \$10,000 success fee due if LADF is awarded an NMTC allocation in the next round.

SUMMARY AND BACKGROUND

In 2011 LADF staff, using the accounting firm Novogradac as reader/reviewer, drafted a successful application for additional NMTC allocation. This application was awarded \$50 million in allocation.

In 2012 and 2013, LADF staff, again working with Novogradac, submitted unsuccessful applications. The debriefing letters for each of the unsuccessful applications indicated that LADF’s application had received a score just below the minimum threshold required to qualify for an award.

At the Novogradac NMTC conference in Washington DC in early June 2014, Bob Ibanez, Program Manager of NMTCs at the CDFI Fund, stated that he expected the next application to be issued on a timeline similar to 2013’s timeline: an application issued at the end of July and due at the end of September. As in 2012, the CDFI Fund expects to issue the application prior to funding by Congress.

Several of the successful CDEs have already begun working on the application based on the draft application issued by the CDFI Fund in March 2014. Most successful CDEs engage a consultant to assist in writing the application and use additional readers, often accountants and/or NMTC attorneys, to review the final product.

2014 APPLICATION

The NMTC application consists of five parts: Business Strategy, Community Outcomes, Management Capacity, Capitalization Strategy, and Information Regarding Previous Awards. In previous years, a minimum score was required in each of the first four parts (excluding Information Regarding Previous Awards) for a CDE to be considered for an award. After this initial selection process, the combined score in Business Strategy and Community Outcomes was used to determine the amount of allocation awarded, if any.

At the June 2014 conference, Bob Ibanez stated that in the 2014 round, only the Business Strategy and Community Outcomes sections will be scored and used to advance CDEs to the pool of potential awardees. However, all five parts of the application will now be read by CDFI Fund staff to determine the amount of allocation to be awarded, if any.

RFP PROCESS

In expectation of a short time period for working on the application, LADF staff accelerated the RFP process. During the Washington DC NMTC conference, staff conducted an informal RFP to identify alternative approaches to drafting the application.

Section 5.2 of LADF's Procedures Manual requires that LADF solicit at minimum three firms. Seven consultants were contacted, each of which assisted one or more CDEs in submitting a successful application in the 2013 round. The following consultants were contacted regarding the RFP:

1. Sean Zielenbach, Ph.D.
President
SZ Consulting, LLC
3 E. Bellefonte Avenue
Alexandria, VA 22301
Tel: (703) 465-0857
Email: sziels@comcast.net

2. Jamie Zembruski
Principal
Community Collaborative Group, LLC
734 N. 82nd Street
Seattle, WA 98103
Tel: (571) 236-4621
Fax: (206) 452-0617
Email: jzembruski@communitycollaborativegroup.com
Web: www.communitycollaborativegroup.com

3. Linda Davenport
Linda Davenport Associates
206 Elm Street
Alexandria, VA 22301-2508
Tel: (703) 535-1002
Cell: (703) 473-9179
Email: linda@davenport-associates

4. Paul Breckenridge
Breckenridge Consulting Services, Inc.
229 Broadway East, Suite 21
Seattle, Washington 98102
Tel: (206) 324-0229
Email: paul@breckcs.com (or info@breckcs.com)

5. Cam Turner
Principal
United Fund Advisors
Portland Family of Funds
24 NW First Avenue, Suite 470 Portland, Oregon 97209
Tel: (503) 546-2639
Cell: (503) 459-8330
Web: unitedfundadvisors.com
Web: portlandfunds.com

6. Michael Fitzpatrick
Baker Tilly Virchow Krause
10 Terrace Court
Madison, WI 53718
Tel: (608) 240-2609

Cell: (608) 513-2880
Fax: (608) 249-8532
Web: Bakertilly.com

7. Tony Q. Smith
Practice Leader/Executive Vice President
SB Friedman Development Advisors
221 North LaSalle Street | Suite 820
Chicago, IL 60601-1302
Tel: (312) 424-4254
Fax: (312) 424-4262
Email: tsmith@sbfriedman.com
Web: www.sbfriedman.com

RESULTS OF RFP

Of the seven consultants contacted, three chose to respond to the RFP. The remaining consultants were already fully engaged and unable to commit time to assist LADF.

The three proposals received by LADF staff were evaluated based on each firm's qualifications and experience with the New Markets Tax Credit (NMTC) program and proposed costs for services. Based on experience and overall cost staff recommends engaging Sean Zielenbach, President of SZ Consulting.

Sean Zielenbach, President, SZ Consulting

Sean Zielenbach has been working on issues related to economic development and development finance for the past 24 years. He spent four years at the U.S. Treasury's Community Development Financial Institutions (CDFI) Fund, where he developed a model for underwriting CDFIs, created a framework for assessing the economic and social impacts of these organizations, and was integrally involved with the design and development of the New Markets Tax Credit (NMTC) program.

Mr. Zielenbach currently consults for a number of Community Development Entities (CDEs) throughout the country on issues of strategic planning, impact measurement, and program and product development. He works closely with both for-profit and nonprofit CDEs in the design and evaluation of their NMTC programs, as well as in the refinement of successful allocation applications. Since the NMTC program's inception, he either has written or helped develop 53 successful NMTC applications that collectively resulted in nearly \$3.4 billion of allocation authority. Some of Mr. Zielenbach's former CDE clients include LISC, Enterprise, Clearinghouse and National Development Council.

Cost:

Estimated cost will be between \$30,000 and \$40,000, depending on number of rewrites, plus a \$10,000 success fee.

Services:

Mr. Zielenbach will review last year's application in detail and identify its strengths and weaknesses. He will assist LADF in determining the emphasis of its application, how it fits into the organization's broader mission / activities, and how its products can best achieve the desired ends.

He will work with LADF to construct a list of information needed to answer each application question in the best possible way. He will develop detailed surveys of both prior and prospective borrowers to get a sense of their quantitative and qualitative impacts, ensuring that the survey questions get at the range of impacts addressed in the NMTC application.

Mr. Zielenbach will take the lead in analyzing the information gathered. He will develop and draft certain portions of the community impact section and the business strategy section.

LADF staff will be responsible for gathering data needed for relevant questions and distributing and gathering surveys. LADF will be the primary writer for the management capacity and capitalization strategy sections.

Diana Letsinger, Partner, Novogradac & Company

Diana Letsinger has been a partner in the Long Beach, Calif. office of Novogradac & Company LLP since 1997. She specializes in community development and affordable housing, including the new markets tax credit (NMTC), low-income housing tax credit, historic rehabilitation tax credit and renewable energy tax credit industries. Ms. Letsinger works with investors, syndicators and developers on structuring, financing and maximizing the benefits of combined tax credit structures. She is a technical editor for the New Markets Tax Credit Handbook, a frequent speaker at industry sponsored conferences and workshops and a regular contributor to the Novogradac Journal of Tax Credits' NMTC content. She also serves as reader/reviewer for NMTC applications for several Southern California CDEs. She is licensed in California as a certified public accountant.

Cost:

Estimated cost is between \$4,000 and \$6,000, depending on number of rewrites. Ms. Letsinger hourly rate is \$290.

Services:

Ms. Letsinger will review LADF's completed application and provide comments.