

**AGENDA**  
**SPECIAL MEETING OF THE BOARD OF DIRECTORS**  
**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**

**DATE:** February 8, 2019  
**TIME:** 12:00 p.m.  
**PLACE:** Woodley Island Marina Meeting Room

*The Meeting Room is wheelchair accessible. Accommodations and access to Harbor District meetings for people with other handicaps must be requested of the Director of Administrative Services at 443-0801 at least 24 hours in advance of the meeting.*

- 1. Call to Order Regular Session at 12:00 p.m. and Roll Call**
- 2. Pledge of Allegiance**
- 3. Public Comment**

*Note: This portion of the Agenda allows the public to speak to the Board on the various issues not itemized on this Agenda. A member of the public may also request that a matter appearing on the Consent Calendar be pulled and discussed separately. Pursuant to the Brown Act, the Board may not take action on any item that does not appear on the Agenda. Each speaker is limited to speak for a period of three (3) minutes regarding each item on the Agenda. Each speaker is limited to speak for a period of three (3) minutes during the PUBLIC COMMENT portion of the Agenda regarding items of special interest to the public not appearing on the Agenda that are within the subject matter jurisdiction of the Board of Directors. The three (3) minute time limit may not be transferred to other speakers. The three (3) minute time limit for each speaker may be extended by the President of the Board of Commissioners or the Presiding Member of the Board of Commissioners at the regular meeting of the District. The three (3) minute time limit for each speaker may be enforced by the President of the Board of Commissioners or the Presiding Member of the Board of Commissioners at the regular meeting of the District.*

- 4. Consent Calendar**
  - a) Approve Meeting Minutes 7-27-17
  - b) Approve Meeting Minutes 10-05-17
  - c) Approve Meeting Minutes 1-25-18
  - d) Approve Meeting Minutes 2-22-18
  - e) Approve Meeting Minutes 5-24-18
  - f) Approve Meeting Minutes 8-23-18
  - g) Approve Meeting Minutes 10-25-18
- 5. Non Agenda**
- 6. Unfinished Business**
- 7. New Business**
  - a) Financial Report from Audit FY 2017/18
  - b) Accept the Audit and Submit to New Market Tax Credit
  - c) Report on Status of occupancy at Redwood Marine Terminal II
- 8. Communications and Reports**
  - a) Executive Director's Report
  - b) Staff Reports
  - c) Board Reports
- 9. Adjournment**

**MINUTES  
MEETING OF THE BOARD OF DIRECTORS  
HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**

Agenda Item 4.a

**July 27, 2017**

**PRESENT:**

Larry Oetker  
Leroy Zerlang  
Aaron Newman  
Richard Marks  
Patrick Higgins

**ABSENT:**

None

President Marks called the Meeting of the Board of Directors to order at 5:00 p.m.

President Marks led those present in the Pledge of Allegiance.

**PUBLIC COMMENT:** None

**CONSENT CALENDAR**

- A. Approval of meeting minutes for November 17, 2016
- B. Approval of meeting minutes for January 26, 2017
- C. Approval of meeting minutes for April 13, 2017
- D. Approval of meeting minutes for July 27, 2017

The Board approved minutes.

**NEW BUSINESS**

**A. Consideration of Approval of FY 2017/18 Budget.**

The Board approved FY 2017/18 budget.

**B. Consideration of Approval to hire Novogradac & Company for FY 2016/27 Audit for \$7,500.**

The Board approved contract to hire Novogradac & Company for FY 2016/27 Audit for \$7,500.

**C. Consideration of Approval to hire David L. Moonie & Company for FY 2016/17 Form 990 tax return, not to exceed \$2,000.**

The Board approved contract to hire David L. Moonie & Company for FY 2016/17 Form 990 tax return, not to exceed \$2,000.

The meeting was adjourned at 5:55 p.m.

APPROVED BY:

RECORDED BY:

\_\_\_\_\_  
Patrick Higgins, Secretary

\_\_\_\_\_  
Mindy Hiley, Director of Administrative Services  
Humboldt Bay Harbor District

**MINUTES  
MEETING OF THE BOARD OF DIRECTORS  
HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**

Agenda Item 4.b

**October 05, 2017**

**PRESENT:**

Larry Oetker  
Leroy Zerlang  
Aaron Newman  
Richard Marks  
Patrick Higgins

**ABSENT:**

None

President Marks called the Meeting of the Board of Directors to order at 12:00 p.m.

President Marks led those present in the Pledge of Allegiance.

**PUBLIC COMMENT:** None

**CONSENT CALENDAR**

- A. Approval of meeting minutes for November 17, 2016
- B. Approval of meeting minutes for January 26, 2017
- C. Approval of meeting minutes for April 13, 2017
- D. Approval of meeting minutes for July 27, 2017

The Board approved all minutes.

**NEW BUSINESS**

**A. Financial update and reporting compliance- Suzanne Dockal**

The Board accepted the Financial Reports.

**B. CDI interim use – Humboldt County timeline.**

Received report from staff

**C. FY 2016/17 Audit update**

No action.

**D. Tenancy report**

The Board accepted report.

**E. Brownfield grant award**

No action.

**F. Solar Installation**

The Board received progress report.

The meeting was adjourned at 1:00 p.m.

APPROVED BY:

RECORDED BY:

\_\_\_\_\_  
Patrick Higgins, Secretary

\_\_\_\_\_  
Mindy Hiley, Director of Administrative Services  
Humboldt Bay Harbor District

**MINUTES  
MEETING OF THE BOARD OF DIRECTORS  
HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**

Agenda Item 4.c

**January 25, 2018**

**PRESENT:**

Larry Oetker  
Leroy Zerlang  
Aaron Newman  
Richard Marks  
Patrick Higgins

**ABSENT:**

None

President Marks called the Meeting of the Board of Directors to order at 5:00 p.m.

President Marks led those present in the Pledge of Allegiance.

**Public Comment:** None

**New Business**

**A. Accept the 2016-17 Independent Auditor's Report. The purpose of this item is to review the finances and formally accept the auditor's report.**

The Board Accepted the 2016-17 Independent Auditor's Report.

**B. Accept 6/30/2017 Trial Balance Report.**

The Board accepted 6/30/2017 Trial Balance Report.

**C. Election of Board President, Treasurer, and Secretary. The Officers of the Board are currently, President: Richard Marks, Treasurer: Vacant, Secretary, Pat Higgins. The purpose of this item is to elect officers to serve until the next election by the Board.**

The Board voted on the reappointing of the current Board President Richard Marks. Leroy Zerlang, Aaron Newman, Larry Oetker, and Patrick Higgins votes yes. Zero votes for no. The Board then voted on reappointing current Secretary Patrick Higgins. Leroy Zerlang, Aaron Newman, Larry Oetker, and Richard Marks votes yes. Zero votes for no.

**D. Appointment of Executive Director. On December 7, 2017, the Humboldt Bay Harbor, Recreation, and Conservation District appointed Larry Oetker as the new Executive Director. The purpose of this item is to consider appointing Larry Oetker the Executive Director of the Humboldt Bay Development Association.**

The Board accepted Larry Oetker's resignation from the Board. The Board then voted to appoint Larry Oetker as the Executive Director. Leroy Zerlang, Aaron Newman, Richard Marks, and Patrick Higgins votes yes. Zero votes for no.

**E. Authorize the following people to sign checks on behalf of the Association.**

The Board authorized President Richard Marks, Secretary Patrick Higgins and the Executive Director to sign checks on behalf of the Association.

The meeting was adjourned at 5:55 p.m.

APPROVED BY:

RECORDED BY:

\_\_\_\_\_  
Patrick Higgins, Secretary

\_\_\_\_\_  
Mindy Hiley, Director of Administrative Services  
Humboldt Bay Harbor District

**MINUTES  
MEETING OF THE BOARD OF DIRECTORS  
HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**

Agenda Item 4.d

**February 22, 2018**

**PRESENT:**

Larry Oetker  
Leroy Zerlang  
Aaron Newman  
Richard Marks

**ABSENT:**

Patrick Higgins

President Marks called the Meeting of the Board of Directors to order at 5:00 p.m.

President Marks led those present in the Pledge of Allegiance.

**Public Comment:** None

**New Business**

**A. Fill Vacancy on the Board.**

No action.

**B. Review of Board Bylaws and Consider Future Development Options**

The Board reviewed the Board Bylaws and considered Future Development Options.

The meeting was adjourned at 5:50 p.m.

APPROVED BY:

\_\_\_\_\_  
Patrick Higgins, Secretary

RECORDED BY:

\_\_\_\_\_  
Mindy Hiley, Director of Administrative Services  
Humboldt Bay Harbor District

**MINUTES  
MEETING OF THE BOARD OF DIRECTORS  
HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**

**May 24, 2018**

**PRESENT:**

Larry Oetker  
Leroy Zerlang  
Aaron Newman  
Richard Marks  
Patrick Higgins

**ABSENT:**

None

President Marks called the Meeting of the Board of Directors to order at 5:00 p.m.

President Marks led those present in the Pledge of Allegiance.

**PUBLIC COMMENT:** None

**NEW BUSINESS**

**A. Accept Financial Report ending March 31, 2018.**

The Board accepted the Financial Report ending March 31, 2018.

**B. Redwood Marine Terminal II Projects Update. Receive report of RMT II Goals, Revenues and Expenditures.**

The Board Received an update on Redwood Marine Terminal II Projects and received a report of RMT II Goals, Revenues and Expenditures

**C. HBDA FY2018-19 Draft Budget Review.**

**D. Fill Board Vacancy. Receive report from Vacancy subcommittee and consider appointing new member.**

No action.

**E. Consider drafting conflict of interest and whistleblower policies.**

No action.

The meeting was adjourned at 5:55 p.m.

APPROVED BY:

---

Patrick Higgins, Secretary

RECORDED BY:

---

Mindy Hiley, Director of Administrative Services  
Humboldt Bay Harbor District

**MINUTES  
MEETING OF THE BOARD OF DIRECTORS  
HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**

Agenda Item 4.f

**August 23, 2018**

**PRESENT:**

Larry Oetker  
Leroy Zerlang  
Aaron Newman  
Richard Marks

**ABSENT:**

Patrick Higgins

President Marks called the Meeting of the Board of Directors to order at 6:15 p.m.

President Marks led those present in the Pledge of Allegiance.

**PUBLIC COMMENT:** None

**NEW BUSINESS**

**A. Adopt HBDA FY2018-19 Budget.**

The Board adopted the HBDA FY2018-19 Budget.

**B. Fill Board Vacancy. Receive report from Vacancy subcommittee and consider appointing new member.**

Miles Slattery was appointed to fill vacancy. Aaron Newman motioned to a vote. Leroy Zerlang seconded. Larry Oetker, Leroy Zerlang, Aaron Newman, and Richard Marks voted yes. Zero votes for no.

**C. Approve Annual Audit Contract with Novogradac and Company LLC.**

Aaron Newman motioned to a vote. Leroy Zerlang seconded. Larry Oetker, Leroy Zerlang, Aaron Newman, and Richard Marks voted yes. Zero votes for no.

**D. Redwood Marine Terminal II Projects Update.**

The Board received an update on Redwood Marine Terminal II projects.

The meeting was adjourned at 7:00 p.m.

APPROVED BY:

RECORDED BY:

\_\_\_\_\_  
Patrick Higgins, Secretary

\_\_\_\_\_  
Mindy Hiley, Director of Administrative Services  
Humboldt Bay Harbor District

**MINUTES  
MEETING OF THE BOARD OF DIRECTORS  
HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**

**October 25, 2018**

**PRESENT:**

Larry Oetker  
Leroy Zerlang  
Aaron Newman  
Miles Slattery  
Richard Marks  
Patrick Higgins

**ABSENT:**

None

President Marks called the Meeting of the Board of Directors to order at 6:15 p.m.

President Marks led those present in the Pledge of Allegiance.

**PUBLIC COMMENT:** None

**NEW BUSINESS**

**A. Status Report of 2017-2018 Audit**

The Board received a Status Report of 2017-2018 Audit.

**B. Status Report on New Market Tax Credit Annual Report**

The Board received a status report on New Market Tax Credit Annual Report.

**C. Discussion of Future Development Options at RMT II**

The Board discussed the future development options at RMT II.

**D. Review of the Draft Conditions of Approval for the Humboldt County Coastal Development Permit and Conditional Use Permit Application CDP-16-049/CUP-16-062 for Redwood Marine Terminal II**

Miles Slattery motioned to a vote on moving forward with the County Permit. Pat seconded the vote. Leroy Zerlang, Aaron Newman, Miles Slattery, Richard Marks, and Patrick Higgins voted yes. Zero voted no.

The meeting was adjourned at 7:00 p.m.

APPROVED BY:

RECORDED BY:

\_\_\_\_\_  
Patrick Higgins, Secretary

\_\_\_\_\_  
Mindy Hiley, Director of Administrative Services



DRAFT

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
FINANCIAL STATEMENTS  
For the year ended June 30, 2018  
and the period from January 5, 2016 (inception)  
to June 30, 2017  
with  
Report of Independent Auditors

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**TABLE OF CONTENTS**

REPORT OF INDEPENDENT AUDITORS	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS	6
STATEMENTS OF FUNCTIONAL EXPENSES	7-8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10-17

## Report of Independent Auditors

To the Board of Directors of  
Humboldt Bay Development Association, Inc.:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Humboldt Bay Development Association, Inc., a California nonprofit public benefit corporation, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year ended June 30, 2018 and the period from January 5, 2016 (inception) to June 30, 2017, 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.

### *Auditors' 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 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 auditors' 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 auditors consider 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 Humboldt Bay Development Association, Inc. as of June 30, 2018 and 2017, and its changes in net assets and its cash flows for the year ended June 30, 2018 and the period from January 5, 2016 (inception) to June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Long Beach, California

<Report Date>

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 40,852	\$ 47,990
Total current assets	40,852	47,990
Noncurrent assets		
Restricted cash (Note 3)	304,924	359,215
Deferred rent asset (Note 6)	926,262	577,812
Fixed assets, net (Note 2)	7,990,914	8,148,124
Deferred charges, net (Note 2)	15,518	15,760
Total noncurrent assets	9,237,618	9,100,911
Total assets	\$ 9,278,470	\$ 9,148,901
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 7,500	\$ 9,000
Due to related parties (Note 4)	25,967	36,993
Total current liabilities	33,467	45,993
Noncurrent liabilities		
Notes payable, net (Note 5)	8,233,823	8,217,551
Total noncurrent liabilities	8,233,823	8,217,551
Total liabilities	8,267,290	8,263,544
Net assets		
Unrestricted net assets	1,011,180	885,357
Total net assets	1,011,180	885,357
Total liabilities and net assets	\$ 9,278,470	\$ 9,148,901

see accompanying notes

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the year ended June 30, 2018  
and the period from January 5, 2016 (inception) to June 30, 2017

	2018	2017
	<u>Unrestricted</u>	<u>Unrestricted</u>
<b>PUBLIC SUPPORT AND OTHER REVENUE</b>		
Public support:		
Contributions	\$ -	\$ 399,057
Total public support	-	399,057
Other revenues:		
Rental income	536,634	715,512
Interest income	709	782
Total other revenues	<u>537,343</u>	<u>716,294</u>
 Total public support and other revenues	 537,343	 1,115,351
<b>EXPENSES</b>		
Program services	390,932	213,393
Management and general	20,588	16,601
Fundraising	-	-
Total expenses	<u>411,520</u>	<u>229,994</u>
 Change in net assets	 125,823	 885,357
 Net assets at beginning of period	 <u>885,357</u>	 <u>-</u>
 Net assets at end of period	 <u><u>\$ 1,011,180</u></u>	 <u><u>\$ 885,357</u></u>

see accompanying notes

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended June 30, 2018

EXPENSES	<u>Program Services</u>	<u>Support Services</u>		Total
	Program	Management and General	Fundraising	
Interest expense	\$ 233,480	\$ -	\$ -	\$ 233,480
Depreciation	157,210	-	-	157,210
Amortization	242			242
Professional fees	-	20,225	-	20,225
General and administrative expense	-	363	-	363
Total expenses	<u>\$ 390,932</u>	<u>\$ 20,588</u>	<u>\$ -</u>	<u>\$ 411,520</u>

see accompanying notes

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the period from January 5, 2016 (inception) to June 30, 2017

EXPENSES	<u>Program Services</u>	<u>Support Services</u>		Total
	Program	Management and General	Fundraising	
Interest expense	\$ 118,529	\$ -	\$ -	\$ 118,529
Depreciation	78,605	-	-	78,605
Organizational costs	16,259	-	-	16,259
Professional fees	-	16,068	-	16,068
General and administrative expense	-	533	-	533
Total expenses	<u>\$ 213,393</u>	<u>\$ 16,601</u>	<u>\$ -</u>	<u>\$ 229,994</u>

see accompanying notes



**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the year ended June 30, 2018  
and the period from January 5, 2016 (inception) to June 30, 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 125,823	\$ 885,357
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Interest expense - debt issuance cost	16,272	9,925
Depreciation	157,210	78,605
Amortization	242	-
Changes in operating assets and liabilities:		
Increase in deferred rent	(348,450)	(577,812)
(Decrease) increase in accounts payable	(1,500)	9,000
(Decrease) increase in due to related parties	(11,026)	36,993
Net cash (used in) provided by operating activities	(61,429)	442,068
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in restricted cash	54,291	(359,215)
Purchase of fixed assets	-	(8,210,929)
Net cash provided by (used in) investing activities	54,291	(8,570,144)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of debt issuance cost	-	(488,174)
Proceeds from notes payable	-	8,680,000
Increase in deferred charges	-	(15,760)
Net cash provided by financing activities	-	8,176,066
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(7,138)	47,990
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	47,990	-
 <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ 40,852	\$ 47,990
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 217,208	\$ 108,604
Cash paid for interest capitalized into fixed assets	\$ -	\$ 175,851
 <b>NONCASH TRANSACTION FROM INVESTING ACTIVITIES</b>		
Interest expense - debt issuance cost capitalized into fixed assets	\$ -	\$ 15,800

see accompanying notes

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

1. Organization and purpose

Humboldt Bay Development Association, Inc. (the “Organization”), a California nonprofit public benefit corporation, was incorporated on January 5, 2016, and was classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code (“IRC”) of 1986. The purpose of the Organization is to support and implement improvements in Samoa, California, and, in conjunction with other public agencies and nonprofit organizations, as appropriate, to promote the health and well-being of residents of Humboldt County through the environmental improvement and development of the Humboldt Bay Eco-Industrial Park facilities.

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted Net Assets:* Net assets that are not subject to donor-imposed stipulations that may or will be expendable by the board for any purpose in performing the Organization’s primary objectives.

*Temporarily Restricted Net Assets:* Net assets that are subject to donor-imposed stipulations that may or will be met either by the Organization’s actions and/or the passage of time.

*Permanently Restricted Net Assets:* Net assets that are subject to donor-imposed stipulations whereby resources are to be preserved in perpetuity.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Economic concentrations

The Organization leases out commercial space located in Samoa, California to Humboldt Bay Harbor, Recreation and Conservation District (“HBHRCD”), a California public entity. Future operations could be affected by changes in economic or other conditions in that geographical area.

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018 and 2017

2. Summary of significant accounting policies and nature of operations (continued)

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for debt service. Restricted cash does not fall under the criteria for temporarily or permanently restricted net assets as these funds are held for operational purposes rather than donor imposed restrictions.

Concentration of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Fixed assets and depreciation

Purchases of property, equipment or improvements are recorded at cost. Major improvements are charged to the fixed asset account, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. The fair value of donated fixed assets is capitalized. When fixed assets are retired or otherwise disposed, the cost of the fixed asset and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

Depreciation for building is computed on the straight-line method over 40 years. In regard to the building leased by the Organization under a capital lease, if ownership does not transfer to the Organization and there is no bargain purchase option, the building is amortized on the straight-line method over the term of the lease of 65 years and is included in depreciation expense. Depreciation expense for the year ended June 30, 2018 and the period from January 5, 2016 (inception) to June 30, 2017 was \$157,210 and \$78,605, respectively. As of June 30, 2018 and 2017, fixed assets consist of:

	<u>2018</u>	<u>2017</u>
Building	\$ 4,320,729	\$ 4,320,729
Building – capital lease	3,197,457	3,197,457
Land – capital lease	708,543	708,543
Less: accumulated depreciation – building	(162,027)	(50,009)
Less: accumulated depreciation – building – capital lease	<u>(73,788)</u>	<u>(24,596)</u>
Fixed assets, net	<u>\$ 7,990,914</u>	<u>\$ 8,148,124</u>

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

2. Summary of significant accounting policies and nature of operations (continued)

Deferred charges and amortization

Deferred charges are recorded at cost and amortized ratably over the life of the Ground Lease, as defined in Note 6, of 780 months using the straight-line method. As of June 30, 2018 and 2017, deferred charges consist of:

	2018	2017
Lease costs	\$ 15,760	\$ 15,760
Less: accumulated amortization	(242)	-
Deferred charges, net	\$ 15,518	\$ 15,760

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There was no impairment losses recognized as of June 30, 2018 and 2017.

Debt issuance costs

The Organization presents debt issuance costs as an offset against debt on its financial statements. Debt issuance costs are amortized to interest expense using the effective interest method over the life of the associated loan.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional pledges to give are recorded as contributions when pledged at the net present value of the amounts expected to be collected. Unconditional pledges to give that are expected to be received in future periods are discounted annually using the current interest rate the funds would earn. Amortization of the discount is recorded as contribution revenue.

Revenue recognition

Pursuant to Statement of Financial Accounting Standards Board Accounting Standards Codification ("FASB-ASC") 840-20, *Operating Leases*, lease revenue is recognized on a straight-line basis over the lease term. Rental payments are due quarterly, partially in advance and partially in arrears.

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

2. Summary of significant accounting policies and nature of operations (continued)

Income taxes

The Organization is exempt from federal income taxes under IRC Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d).

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and have measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed. California tax authorities generally have the right to examine and audit the previous four years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Functional allocation of expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by the Organization's management.

Subsequent events

Subsequent events have been evaluated through <Report Date>, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Restricted cash

Restricted cash includes reserve accounts established for debt service. The Organization's restricted cash balance as of June 30, 2018 and 2017 was \$304,924 and \$359,215, respectively.

4. Transactions with related parties

Management fee

Pursuant to the Project Management Agreement dated March 9, 2016, HBHRCD was appointed to oversee the rehabilitation of the building. The management fee is paid as follows: (i) \$20,000 on March 9, 2016; (ii) monthly installments of \$20,000 over the succeeding four months, each paid on the first day of the month; and (iii) \$100,000 upon completion of the rehabilitation of the building. As of June 30, 2017, rehabilitation of the building was completed. For the period from January 5, 2016 (inception) to June 30, 2017, HBHRCD earned \$200,000, which was capitalized into fixed assets. As of June 30, 2018 and 2017, HBHRCD was owed \$0 and \$22,500, respectively.

Due to HBHRCD

HBHRCD paid operating expenses on behalf of the Organization. Advances from HBHRCD do not bear interest and are anticipated to be repaid. As of June 30, 2018 and 2017, HBHRCD was owed \$25,967 and \$14,493, respectively.

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

5. Notes payable

Pursuant to the Credit Agreement dated March 9, 2016 (the "Credit Agreement"), the Organization entered into a loan agreement with CNMC Sub-CDE 69, LLC ("CNMC") and New Markets Community Capital XVII, LLC ("NMCC") as evidenced by four promissory notes in the amounts of \$1,169,875 ("CNMC Note A2"), \$580,125 ("CNMC Note B2"), \$4,679,500 ("NMCC Note A1"), and \$2,250,500 ("NMCC Note B1"). The Credit Agreement is secured by the Collateral and Collateral Documents, as defined in the Credit Agreement.

*CNMC Sub-CDE 69, LLC*

CNMC Note A2

Interest on CNMC Note A2 accrues at a rate of 2.7565% per annum. Commencing on June 5, 2016, and continuing on the fifth day of each March, June, September and December (the "Payment Dates") thereafter through March 5, 2023, accrued and unpaid interest is due and payable quarterly, partially in arrears, partially in advance through the last day of the month in which payment is made. Commencing on June 5, 2023, and continuing on the Payment Dates thereafter through and including March 9, 2046 (the "Maturity Date"), payments of principal and interest in the amount of \$17,184 will be due and payable such that the loan fully amortizes upon the Maturity Date.

CNMC Note B2

Interest on CNMC Note B2 accrues at a rate of 1.9900% per annum. Commencing on June 5, 2016, and continuing on the Payment Dates thereafter through March 5, 2023, accrued and unpaid interest is due and payable quarterly, partially in arrears, partially in advance through the last day of the month in which payment is made. Commencing on June 5, 2023, and continuing on the Payment Dates thereafter through and including the Maturity Date, payments of principal and interest in the amount of \$7,864 will be due and payable such that the loan fully amortizes upon the Maturity Date.

*New Markets Community Capital XVII, LLC*

NMCC Note A1

Interest on NMCC Note A1 accrues at a rate of 2.5024% per annum. Commencing on June 5, 2016, and continuing on the Payment Dates thereafter through March 5, 2023, accrued and unpaid interest is due and payable quarterly, partially in arrears, partially in advance through the last day of the month in which payment is made. Commencing on June 5, 2023, and continuing on the Payment Dates thereafter through and including the Maturity Date, payments of principal and interest in the amount of \$66,950 will be due and payable such that the loan fully amortizes upon the Maturity Date.

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

5. Notes payable (continued)

*New Markets Community Capital XVII, LLC (continued)*

NMCC Note B1

Interest on NMCC Note B1 accrues at a rate of 2.5024% per annum. Commencing on June 5, 2016, and continuing on the Payment Dates thereafter through March 5, 2023, accrued and unpaid interest is due and payable quarterly, partially in arrears, partially in advance through the last day of the month in which payment is made. On the seventh anniversary of NMCC Note B1, principal payment in the amount of \$35,000 will be due and payable. Commencing on June 5, 2023, and continuing on the Payment Dates thereafter through and including the Maturity Date, payments of principal and interest in the amount of \$31,697 will be due and payable such that the loan fully amortizes upon the Maturity Date.

As of June 30, 2018 and 2017, the notes payable were as follows:

	<u>2018</u>	<u>2017</u>
CNMC Note A2	\$ 1,169,875	\$ 1,169,875
CNMC Note B2	580,125	580,125
NMCC Note A1	4,679,500	4,679,500
NMCC Note B1	2,250,500	2,250,500
Less: debt issuance cost	(446,177)	(462,449)
Notes payable, net	<u>\$ 8,233,823</u>	<u>\$ 8,217,551</u>

As of June 30, 2018 and 2017, there was no interest payable for both years.

For the years ended June 30, 2018 and 2017, the effective interest rate were as follows:

	<u>2018</u>	<u>2017</u>
CNMC Note A2	3.1480%	3.1480%
CNMC Note B2	2.3579%	2.3579%
NMCC Note A1	2.8859%	2.8859%
NMCC Note B1	2.8895%	2.8895%

For the year ended June 30, 2018, debt issuance costs amortized into interest expense was \$16,272. For the period from January 5, 2016 (inception) to June 30, 2017, debt issuance costs amortized into interest expense was \$25,725, of which \$15,800 was capitalized into fixed assets.

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018 and 2017

6. Leases

*HBHRCD*

Ground Lease

Pursuant to the Ground Lease between the Organization and HBHRCD dated March 9, 2016 (the “Ground Lease Commencement Date”) (the “Ground Lease”), the Organization agreed to pay a total fixed rent amount of \$3,906,000 on the Ground Lease Commencement Date for the interest in two parcels of land located in Samoa, California and the improvements located thereon (the “Premises”). The term of the lease is for sixty-five years. The Organization recognizes the Ground Lease as a capital lease and reports the leased building and land as fixed assets (See Note 2). On March 9, 2016, the Organization paid the fixed rent amount in full.

Operating Lease

Pursuant to the Operating Lease between the Organization and HBHRCD dated March 9, 2016 (the “Operating Lease”), the Organization and HBHRCD entered into a thirty year lease agreement for the Premises, all tenant improvements, and any appurtenant easements. HBHRCD agreed to pay the Organization monthly installments of rent based on the amounts set forth in Exhibit B of the Operating Lease. The total rent over the term is \$16,099,014. For the year ended June 30, 2018 and 2017, lease revenue was \$536,634 and \$715,512. As of June 30, 2018 and 2017, there was no lease receivable for both years.

Future annual base rent lease payments are as follows:

Year ending June 30,

2019	\$	193,830
2020		199,644
2021		205,632
2022		211,800
2023		339,246
Thereafter		14,622,978
Total		\$ 15,773,130

Pursuant to FASB-ASC 840-20, lease revenue for the non-cancellable lease term is required to be recognized on a straight-line basis. For the year ended June 30, 2018 and 2017, included in lease revenue was an increase in deferred rent asset of \$348,450 and \$577,812, respectively. As of June 30, 2018 and 2017, deferred rent asset was \$926,262 and \$577,812.

7. New markets tax credits

On March 9, 2016, the Organization secured loans from CNMC and NMCC (collectively, the “NMTC Lenders”). As a result of making the loans, the NMTC Lenders are eligible for federal income tax credits under the New Markets Tax Credit (“NMTC”) program implemented by Congress in December 2000.



**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

7. New markets tax credits (continued)

Pursuant to the Indemnification Agreement (QALICB) dated March 9, 2016 (the “Indemnification Agreement”), in the occurrence of an event or condition that results in a recapture of all or any portion of NMTCs (“Recapture Event”), the Organization and HBHRCD (collectively the “Indemnitors”), shall pay the NMTC Recapture Amount, as defined in the Indemnification Agreement, to JPMorgan Chase Bank, N.A., a national banking association, but only if and to the extent that such Recapture Event is the result of:

- i. The Organization failing to satisfy the requirement for being and continuing to be a qualified active low-income community business;
- ii. Any tenant of the Organization failing to be a “qualified business”;
- iii. The loans failing to constitute a QLICI (in whole or in part);
- iv. A default by the Organization under the loan documents pursuant to which the loans were made; or
- v. Any fraud, gross negligence, or willful misconduct of any Indemnitor.

As of June 30, 2018 and 2017, no claims or payments had been made relative to the indemnity and the Organization is not aware of the occurrence of any recapture event. The Organization has determined the likelihood of a recapture event to be remote after considering the historical rate of recapture and related factors. Accordingly, no liability has been recorded relative to the indemnity.

Client: HBH002 - Humboldt Bay Development Association, Inc.  
 Engagement: 2018 Audit - Humboldt Bay Development Association, Inc.  
 Period Ending: 6/30/2018  
 Trial Balance: B1-1 - Trial Balance  
 Workpaper: B1-2 - Audit Trial Balance

Account	Description	1st PP-FINAL 6/30/2017	UNADJ 6/30/2018	JE Ref #	AJE 6/30/2018	ADJ 6/30/2018
<b>Group : [4110]</b>	<b>Cash &amp; Equivalents</b>					
<b>Subgroup : None</b>						
1000	BBVA Compass (HBDA operating)	47,990.00	40,852.00		0.00	40,852.00
<b>Subtotal : None</b>		<u>47,990.00</u>	<u>40,852.00</u>		<u>0.00</u>	<u>40,852.00</u>
<b>Total [4110]</b>	<b>Cash &amp; Equivalents</b>	<u>47,990.00</u>	<u>40,852.00</u>		<u>0.00</u>	<u>40,852.00</u>
	<b>Current Assets</b>	<u>47,990.00</u>	<u>40,852.00</u>		<u>0.00</u>	<u>40,852.00</u>
<b>Group : [4210]</b>	<b>Restricted Cash</b>					
<b>Subgroup : None</b>						
1001	Cash in Fee Reserve	359,215.00	304,924.00		0.00	304,924.00
<b>Subtotal : None</b>		<u>359,215.00</u>	<u>304,924.00</u>		<u>0.00</u>	<u>304,924.00</u>
<b>Total [4210]</b>	<b>Restricted Cash</b>	<u>359,215.00</u>	<u>304,924.00</u>		<u>0.00</u>	<u>304,924.00</u>
<b>Group : [4315]</b>	<b>FAS 13 - Operating Lease - SL Deferred Rent Asset</b>					
<b>Subgroup : None</b>						
1600	Deferred rent asset	577,812.00	926,262.00		0.00	926,262.00
<b>Subtotal : None</b>		<u>577,812.00</u>	<u>926,262.00</u>		<u>0.00</u>	<u>926,262.00</u>
<b>Total [4315]</b>	<b>FAS 13 - Operating Lease - SL Deferred Rent Asset</b>	<u>577,812.00</u>	<u>926,262.00</u>		<u>0.00</u>	<u>926,262.00</u>
<b>Group : [4610]</b>	<b>Fixed Assets</b>					
<b>Subgroup : [4611]</b>	<b>Building</b>					
1700	Building	4,320,729.00	4,320,729.00		0.00	4,320,729.00
1701	Capital asset - building	3,197,457.00	3,197,457.00		0.00	3,197,457.00
<b>Subtotal [4611]</b>	<b>Building</b>	<u>7,518,186.00</u>	<u>7,518,186.00</u>		<u>0.00</u>	<u>7,518,186.00</u>
<b>Subgroup : [4613]</b>	<b>Land</b>					
1702	Capital asset- land	708,543.00	708,543.00		0.00	708,543.00
<b>Subtotal [4613]</b>	<b>Land</b>	<u>708,543.00</u>	<u>708,543.00</u>		<u>0.00</u>	<u>708,543.00</u>
<b>Subgroup : [4617]</b>	<b>Accumulated Depreciation</b>					
1710	Accumulated Depreciation	(78,605.00)	(235,815.00)		0.00	(235,815.00)
<b>Subtotal [4617]</b>	<b>Accumulated Depreciation</b>	<u>(78,605.00)</u>	<u>(235,815.00)</u>		<u>0.00</u>	<u>(235,815.00)</u>
<b>Total [4610]</b>	<b>Fixed Assets</b>	<u>8,148,124.00</u>	<u>7,990,914.00</u>		<u>0.00</u>	<u>7,990,914.00</u>
<b>Group : [4710]</b>	<b>Intangible Assets</b>					
<b>Subgroup : [4711]</b>	<b>Accumulated Amortization</b>					
1416	Accumulated Amortization	0.00	0.00		(242.00)	(242.00)
<b>Subtotal [4711]</b>	<b>Accumulated Amortization</b>	<u>0.00</u>	<u>0.00</u>	AJE - 5	<u>(242.00)</u>	<u>(242.00)</u>
<b>Subgroup : None</b>						
1450	Lease Costs	15,760.00	15,518.00		242.00	15,760.00
<b>Subtotal : None</b>		<u>15,760.00</u>	<u>15,518.00</u>	AJE - 5	<u>242.00</u>	<u>15,760.00</u>
<b>Total [4710]</b>	<b>Intangible Assets</b>	<u>15,760.00</u>	<u>15,518.00</u>		<u>0.00</u>	<u>15,518.00</u>
	<b>Non-Current Assets</b>	<u>9,100,911.00</u>	<u>9,237,618.00</u>		<u>0.00</u>	<u>9,237,618.00</u>
<b>TOTAL ASSET</b>		<b>9,148,901.00</b>	<b>9,278,470.00</b>		<b>0.00</b>	<b>9,278,470.00</b>
<b>Group : [5110]</b>	<b>Accounts payable</b>					
<b>Subgroup : None</b>						
2000	Accounts Payable	(9,000.00)	0.00		(7,500.00)	(7,500.00)
<b>Subtotal : None</b>		<u>(9,000.00)</u>	<u>0.00</u>	AJE - 6	<u>(7,500.00)</u>	<u>(7,500.00)</u>
<b>Total [5110]</b>	<b>Accounts payable</b>	<u>(9,000.00)</u>	<u>0.00</u>		<u>(7,500.00)</u>	<u>(7,500.00)</u>
<b>Group : [5510]</b>	<b>Due to related parties</b>					
<b>Subgroup : None</b>						
2001	Due to HBHRCD	(36,993.00)	(25,967.00)		0.00	(25,967.00)
<b>Subtotal : None</b>		<u>(36,993.00)</u>	<u>(25,967.00)</u>		<u>0.00</u>	<u>(25,967.00)</u>
<b>Total [5510]</b>	<b>Due to related parties</b>	<u>(36,993.00)</u>	<u>(25,967.00)</u>		<u>0.00</u>	<u>(25,967.00)</u>
	<b>Current Liabilities</b>	<u>(45,993.00)</u>	<u>(25,967.00)</u>		<u>(7,500.00)</u>	<u>(33,467.00)</u>

Client: **HBH002 - Humboldt Bay Development Association, Inc.**  
 Engagement: **2018 Audit - Humboldt Bay Development Association, Inc.**  
 Period Ending: **6/30/2018**  
 Trial Balance: **B1-1 - Trial Balance**  
 Workpaper: **B1-2 - Audit Trial Balance**

Account	Description	1st PP-FINAL 6/30/2017	UNADJ 6/30/2018	JE Ref #	AJE 6/30/2018	ADJ 6/30/2018
<b>Group : [5650] Long Term Debt</b>						
<b>Subgroup : None</b>						
2100	CNMCSUB-CDE69,LLC - Note A2	(1,169,875.00)	(1,169,875.00)		0.00	(1,169,875.00)
2101	CNMCSUB-CDE69, LLC - Note B2	(580,125.00)	(580,125.00)		0.00	(580,125.00)
2102	New Markets Community Cap - Note A1	(4,679,500.00)	(4,679,500.00)		0.00	(4,679,500.00)
2103	New Markets Community Cap - Note B1	(2,250,500.00)	(2,250,500.00)		0.00	(2,250,500.00)
2200	Debt issuance cost	462,449.00	446,177.00		0.00	446,177.00
<b>Subtotal : None</b>		<b>(8,217,551.00)</b>	<b>(8,233,823.00)</b>		<b>0.00</b>	<b>(8,233,823.00)</b>
<b>Total [5650]</b>	<b>Long Term Debt</b>	<b>(8,217,551.00)</b>	<b>(8,233,823.00)</b>		<b>0.00</b>	<b>(8,233,823.00)</b>

	<b>Non-Current Liabilities</b>	<b>(8,217,551.00)</b>	<b>(8,233,823.00)</b>		<b>0.00</b>	<b>(8,233,823.00)</b>
<b>TOTAL LIABILITY</b>		<b>(8,263,544.00)</b>	<b>(8,259,790.00)</b>		<b>(7,500.00)</b>	<b>(8,267,290.00)</b>

<b>Group : [6110] Net Assets</b>						
<b>Subgroup : None</b>						
3000	Retained Earnings	0.00	(885,357.00)		0.00	(885,357.00)
<b>Subtotal : None</b>		<b>0.00</b>	<b>(885,357.00)</b>		<b>0.00</b>	<b>(885,357.00)</b>
<b>Total [6110]</b>	<b>Net Assets</b>	<b>0.00</b>	<b>(885,357.00)</b>		<b>0.00</b>	<b>(885,357.00)</b>

	<b>Equity</b>	<b>0.00</b>	<b>(885,357.00)</b>		<b>0.00</b>	<b>(885,357.00)</b>
<b>NET (INCOME) LOSS</b>		<b>(885,357.00)</b>	<b>(133,323.00)</b>		<b>7,500.00</b>	<b>(125,823.00)</b>

<b>TOTAL EQUITY</b>		<b>(885,357.00)</b>	<b>(1,018,680.00)</b>		<b>7,500.00</b>	<b>(1,011,180.00)</b>
---------------------	--	---------------------	-----------------------	--	-----------------	-----------------------

<b>TOTAL LIABILITY AND EQUITY</b>		<b>(9,148,901.00)</b>	<b>(9,278,470.00)</b>		<b>0.00</b>	<b>(9,278,470.00)</b>
-----------------------------------	--	-----------------------	-----------------------	--	-------------	-----------------------

<b>Group : [7110] Revenue</b>						
<b>Subgroup : [7120] Interest Income</b>						
4001	Interest Income	(782.00)	(709.00)		0.00	(709.00)
<b>Subtotal [7120]</b>	<b>Interest Income</b>	<b>(782.00)</b>	<b>(709.00)</b>		<b>0.00</b>	<b>(709.00)</b>
<b>Subgroup : [7140] Rental Revenue</b>						
4000	Rental Income	(715,512.00)	(536,634.00)		0.00	(536,634.00)
<b>Subtotal [7140]</b>	<b>Rental Revenue</b>	<b>(715,512.00)</b>	<b>(536,634.00)</b>		<b>0.00</b>	<b>(536,634.00)</b>
<b>Subgroup : [7150] Contributions</b>						
4100	Government Contributions	(399,057.00)	0.00		0.00	0.00
<b>Subtotal [7150]</b>	<b>Contributions</b>	<b>(399,057.00)</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>
<b>Total [7110]</b>	<b>Revenue</b>	<b>(1,115,351.00)</b>	<b>(537,343.00)</b>		<b>0.00</b>	<b>(537,343.00)</b>

	<b>Revenues</b>	<b>(1,115,351.00)</b>	<b>(537,343.00)</b>		<b>0.00</b>	<b>(537,343.00)</b>
<b>TOTAL REVENUE</b>		<b>(1,115,351.00)</b>	<b>(537,343.00)</b>		<b>0.00</b>	<b>(537,343.00)</b>

<b>Group : [7310] Operating Expenses</b>						
<b>Subgroup : [7355] Legal and other prof fees</b>						
5200	Audit fees	7,000.00	500.00		7,500.00	8,000.00
5201	Tax Preparation	2,000.00	751.00	AJE - 6	7,500.00	751.00
5202	Accounting Fees	7,068.00	11,474.00		0.00	11,474.00
<b>Subtotal [7355]</b>	<b>Legal and other prof fees</b>	<b>16,068.00</b>	<b>12,725.00</b>		<b>7,500.00</b>	<b>20,225.00</b>

<b>Subgroup : [7360] General &amp; Admin</b>						
5100	Bank Charges/Fees	433.00	238.00		0.00	238.00
5101	Licenses & Fees	100.00	125.00		0.00	125.00
<b>Subtotal [7360]</b>	<b>General &amp; Admin</b>	<b>533.00</b>	<b>363.00</b>		<b>0.00</b>	<b>363.00</b>

<b>Subgroup : None</b>						
5400	Organizational costs	16,259.00	0.00		0.00	0.00
<b>Subtotal : None</b>		<b>16,259.00</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>
<b>Total [7310]</b>	<b>Operating Expenses</b>	<b>32,860.00</b>	<b>13,088.00</b>		<b>7,500.00</b>	<b>20,588.00</b>

	<b>Operating Expenses</b>	<b>32,860.00</b>	<b>13,088.00</b>		<b>7,500.00</b>	<b>20,588.00</b>
--	---------------------------	------------------	------------------	--	-----------------	------------------

Client: **HBH002 - Humboldt Bay Development Association, Inc.**  
 Engagement: **2018 Audit - Humboldt Bay Development Association, Inc.**  
 Period Ending: **6/30/2018**  
 Trial Balance: **B1-1 - Trial Balance**  
 Workpaper: **B1-2 - Audit Trial Balance**

Account	Description	1st PP-FINAL 6/30/2017	UNADJ 6/30/2018	JE Ref #	AJE 6/30/2018	ADJ 6/30/2018
<b>Group : [7510]</b>	<b>Other Inc &amp; Exp</b>					
<b>Subgroup : [7512]</b>	<b>Interest Expense</b>					
6000	Interest Expense:Cnmc Sub-Cde 69	21,896.00	43,792.00		0.00	43,792.00
6001	Interest Expense:New Markets Comm Cap Xvii	86,708.00	118,416.00		55,000.00	173,416.00
				AJE - 3	55,000.00	
6002	Interest Expense:NMCC fee reserve	0.00	55,000.00		(55,000.00)	0.00
				AJE - 3	(55,000.00)	
6003	Interest Expense:Loan Amortization	9,925.00	16,272.00		0.00	16,272.00
<b>Subtotal [7512]</b>	<b>Interest Expense</b>	<b>118,529.00</b>	<b>233,480.00</b>		<b>0.00</b>	<b>233,480.00</b>
<b>Subgroup : [7513]</b>	<b>Depr &amp; Amort</b>					
5015	Depreciation expense	78,605.00	157,210.00		0.00	157,210.00
5016	Amortization expense	0.00	242.00		0.00	242.00
<b>Subtotal [7513]</b>	<b>Depr &amp; Amort</b>	<b>78,605.00</b>	<b>157,452.00</b>		<b>0.00</b>	<b>157,452.00</b>
<b>Total [7510]</b>	<b>Other Inc &amp; Exp</b>	<b>197,134.00</b>	<b>390,932.00</b>		<b>0.00</b>	<b>390,932.00</b>
	<b>Other Expenses</b>	<b>197,134.00</b>	<b>390,932.00</b>		<b>0.00</b>	<b>390,932.00</b>
<b>TOTAL EXPENSE</b>		<b>229,994.00</b>	<b>404,020.00</b>		<b>7,500.00</b>	<b>411,520.00</b>
<b>NET (INCOME) LOSS</b>		<b>(885,357.00)</b>	<b>(133,323.00)</b>		<b>7,500.00</b>	<b>(125,823.00)</b>

Client: *HBH002 - Humboldt Bay Development Association, Inc.*  
 Engagement: *2018 Audit - Humboldt Bay Development Association, Inc.*  
 Period Ending: *6/30/2018*  
 Trial Balance: *B1-1 - Trial Balance*  
 Workpaper: *B2-1 - Adjusting Journal Entries Report.*

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 3</b>				
To reclass interest expense				
6001	Interest Expense:New Markets Comm Cap Xvii		55,000.00	
6002	Interest Expense:NMCC fee reserve			55,000.00
<b>Total</b>			<b>55,000.00</b>	<b>55,000.00</b>
<b>Adjusting Journal Entries JE # 5</b>				
To reclass lease costs				
1450	Lease Costs		242.00	
1416	Accumulated Amortization			242.00
<b>Total</b>			<b>242.00</b>	<b>242.00</b>
<b>Adjusting Journal Entries JE # 6</b>				
To book audit fee for CY				
5200	Audit fees		7,500.00	
2000	Accounts Payable			7,500.00
<b>Total</b>			<b>7,500.00</b>	<b>7,500.00</b>
	<b>Total Adjusting Journal Entries</b>		<b>62,742.00</b>	<b>62,742.00</b>
	<b>Total All Journal Entries</b>		<b>62,742.00</b>	<b>62,742.00</b>