LENNAR CHARITABLE HOUSING FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

LENNAR CHARITABLE HOUSING FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lennar Charitable Housing Foundation

We have audited the accompanying financial statements of the Lennar Charitable Housing Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 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 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 auditor considers internal control procedures 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 procedures. 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.

MARCUMGROUP
MEMBER

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lennar Charitable Housing Foundation as of December 31, 2014 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.

Marcum LLP

Irvine, CA
July 13, 2015

LENNAR CHARITABLE HOUSING FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 717,945	$ 420,882
Certificates of deposit	753,529	1,245,394
Accounts receivable, net of allowance for doubtful accounts of $133,264 for 2014 and 2013	45,178	51,759
Interest receivable and other current assets	473	185
Total Current Assets	1,517,125	1,718,220
Total Assets	$ 1,517,125	$ 1,718,220
Liabilities and Net Assets		
Accrued Expenses	$ 31,919	$ 23,256
Unrestricted Net Assets	1,485,206	1,694,964
Total Liabilities and Net Assets	$ 1,517,125	$ 1,718,220

The accompanying notes are an integral part of these financial statements.

LENNAR CHARITABLE HOUSING FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Revenue and Support		
Fees from home sales	$ 464,279	$ 519,079
Contributed services	239,917	197,760
Refund of distribution	134,263	--
Investment income	9,894	11,105
Bad debt recovery	4,179	1,076
Total Revenue and Support	852,532	729,020
Expenses		
Program expense:		
Distributions to organizations for the transitionally homeless	655,500	500,000
Support services expense:		
Management and general of which $239,917 and $197,760 were contributed services for the year ended December 31, 2014 and 2013 respectively	406,790	359,078
Total Expenses	1,062,290	859,078
Change in Net Assets	(209,758)	(130,058)
Net Assets - Beginning	1,694,964	1,825,022
Net Assets - Ending	$ 1,485,206	$ 1,694,964

The accompanying notes are an integral part of these financial statements.

LENNAR CHARITABLE HOUSING FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	$ (209,758)	$ (130,058)
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Bad debt expense	37,994	33,828
Depreciation	--	211
Changes in operating assets and liabilities:		
Accounts receivable	(31,413)	(20,281)
Interest receivable and other current assets	(288)	1,363
Accrued expenses	8,663	(54,867)
Total adjustments	14,956	(39,746)
Net Cash Used in Operating Activities	(194,802)	(169,804)
Cash Flows From Investing Activities		
Redemption of certificates of deposit	491,865	489,217
Purchase of certificates of deposit	--	(497,995)
Net Cash Provided by (Used in) Investing Activities	491,865	(8,778)
Net Increase (Decrease) in Cash and Cash Equivalents	297,063	(178,582)
Cash and Cash Equivalents - Beginning	420,882	599,464
Cash and Cash Equivalents - Ending	$ 717,945	$ 420,882
Supplemental Disclosure of Cash Flow Information		
Noncash contributed services	$ 239,917	$ 197,760

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION

Lennar Charitable Housing Foundation ("LCHF") is a non-profit, tax exempt 501(c)(3) public benefit corporation created to help end homelessness by providing ongoing support to other charities that serve the homeless, transitionally homeless - men, women and children forced to live on the streets or substandard housing as a result of unfortunate circumstances such as domestic violence, unemployment, crisis pregnancies and catastrophic illness - and working, low-income families and individuals.

The original transferor of a home in the LCHF program encumbers the home with a lien at the time of home purchase, which results in an endowment fee due. Subsequently, every time a participating home is sold, the transferor and transferee are jointly and severally obligated to pay this fee. This endowment fee is equal to a small percentage of the sales price of a home (1/20th of 1%) and is typically paid to LCHF through escrow.

Lennar Corporation is a primary sponsor of LCHF and contributes resources such as management and administrative personnel and other facility-related costs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of LCHF are presented on the accrual basis of accounting. LCHF recognizes contributions as revenue in the period received. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor imposed restrictions. At December 31, 2014 and 2013, there were no donor imposed restrictions.

USE OF ACCOUNTING ESTIMATES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS

LCHF has estimated the fair values of its financial instruments using the available market information and valuation methodologies considered to be appropriate and had determined that the recorded value of the LCHF's cash and cash equivalents, certificates of deposit, accounts receivable, interest receivable and other current assets, and accrued expenses as of December 31, 2014 and 2013, approximated fair value due to their short term nature.

NET ASSETS

In accordance with US GAAP, not-for-profit financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based on the existence or absence of donor-imposed restrictions.

Temporarily restricted net assets include those in which use by LCHF has been limited by donors to later periods of time or for specified purposes. Permanently restricted net assets include those net assets that must be maintained in perpetuity; the investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, for purposes as approved by the Board of Directors.

At December 31, 2014 and 2013, LCHF did not have any temporarily or permanently restricted net assets.

CASH AND CASH EQUIVALENTS

LCHF maintains cash and cash equivalents with certain financial institutions. LCHF performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the LCHF's investment strategy. LCHF considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Included in this balance are certificates of deposit with original maturities of three months or less.

CERTIFICATES OF DEPOSIT

The Company invests in certificate of deposit accounts with maturity dates exceeding three months, but no longer than one year. At December 31, 2014 and 2013, the certificate of deposit balance was $753,529 and $1,245,394 respectively, and is included in current assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE

Accounts receivable represent fee revenue on home sales in participating communities that have not been received as of December 31, 2014 and 2013. LCHF provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. LCHF's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the LCHF's estimate of the allowance for doubtful accounts will change. Accounts receivable are presented net of an allowance for doubtful accounts of $133,264 at December 31, 2014 and 2013.

REVENUE RECOGNITION

LCHF receives a majority of its support from fees paid by purchasers of homes in participating communities upon close of escrow. Fees received subsequent to year end related to homes that closed prior to year end and fees not received upon close of escrow are classified as accounts receivable in the accompanying statements of financial position. LCHF recognizes other contributions as revenue in the period received.

CONTRIBUTED SERVICES

LCHF recognizes contribution revenues for certain services received at the fair value of those services. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of contributed services recorded in the accompanying statements of activity consists of management and administrative salaries, facility and other administrative costs contributed by Lennar Corporation, professional services by an outside legal firm and title search services by an outside title company. Contributed services are reflected as revenue and support, and as support services expenses.

DISTRIBUTIONS

Distributions are amounts paid to tax exempt, 501(c)(3) non-profit, public benefit charities and are recognized in the period the distribution is approved.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAX STATUS

LCHF is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction as provided in Section 170 of the Internal Revenue Code. In addition, LCHF has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Code Section 509(a). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. LCHF is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

PRESENTATION OF EXPENSES ON THE STATEMENT OF ACTIVITIES

The costs of LCHF have been summarized on a functional basis in the statements of activities and changes in net assets. Program expenses represent, in large part, the direct distribution of funds to various charitable organizations. Support services represent the program administration and other general and administrative expenses of LCHF.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject LCHF to concentrations of credit risk consist primarily of cash and certificates of deposit. LCHF maintains all of its day-to-day operating cash at financial institutions in the United States. LCHF had deposits in financial institutions that maintained FDIC deposit insurance limiting coverage to $250,000 per depositor for each financial institution. At times, balances held at an insured financial institution may exceed $250,000, which represents a credit risk to LCHF.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value hierarchy is based on three levels of inputs, the first two of which are considered observable and the last unobservable, that may be used to measure fair value, is as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial instruments consist primarily of cash and equivalents, certificates of deposit, accounts receivable, and accrued expenses. The Company has determined that the carrying values of these instruments as of December 31, 2014 and December 31, 2013 approximate fair value due to their short-term nature.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable, net of allowances for doubtful accounts, consists of the following at December 31:

	2014	2013
Receivable from new home sales	$ 4,202	$ 2,438
Receivable from home resales	174,240	182,585
Total Accounts Receivable, Gross	178,442	185,023
Less: Allowance for doubtful accounts	(133,264)	(133,264)
Accounts Receivable, Net	$ 45,178	$ 51,759

NOTE 4 - DISTRIBUTIONS TO ORGANIZATIONS FOR THE TRANSITIONALLY HOMELESS

Distributions made to organizations for shelters and shelter related services consist of the following for the year ended December 31:

	2014	2013
Mercy House	$90,000	$ --
HomeAid Inland Empire	65,000	65,000
Swords to Plowshares	60,000	20,000
HomeAid Sacramento	50,000	15,000
St Vincent de Paul Village	45,000	17,500
HomeAid Northern California	40,000	35,000
HomeAid San Diego	40,000	--
HomeAid of OC	35,000	--
Alliance Against Violence & Sexual Assault	30,000	--
Poverello House	30,000	20,000
Crisis House, Inc.	25,000	--
Inland Empire Rescue Mission	25,000	--
Martha's Village & Kitchen	20,000	--
Rancho Damacitas	20,000	10,000
Affordable Living for The Aged	15,000	25,000
Hope of The Valley Rescue Mission	15,000	--
Visalia Rescue Mission	15,000	--
Women's Shelter of Long Beach	15,000	15,000
South County Outreach	10,000	20,000
Laurel House	7,500	15,000
Corona Norco Rescue Mission	3,000	--
Bakersfield Homeless Center	--	20,000
Catholic Charities	--	25,000
Court Appointed Special Advocates	--	25,000
HomeAid LA/VEN	--	5,000
Illumination Foundation	--	10,000
Interfaith Community Services	--	20,000
Kristie’s	--	10,000
L.A. Mission	--	20,000
Orangewood Children’s Foundation	--	50,000
Solano Napa Habitat for Humanity	--	2,500
The Food Bank of Northern Nevada	--	5,000
Volunteers of America – Los Angeles	--	25,000
Working Wardrobes	--	25,000
Total	$655,500	$500,000

NOTE 5 - MANAGEMENT AND GENERAL

Paid expenses and contributed services related to management and general costs consist of the following for the years ended December 31:

Paid Expenses	2014	2013
Salaries and benefits	$113,402	$105,101
Bad debt	37,994	33,828
Professional fees	11,583	11,671
Outside contract services	--	7,070
Insurance	3,273	2,901
Other expenses	621	747
Total Paid Expenses	166,873	161,318
Contributed Services		
Legal services	173,117	136,784
Title search services	48,549	44,631
Other administrative costs	13,700	11,873
Office and rent expenses	4,551	4,472
Salaries and benefits	--	--
Total Contributed Services	239,917	197,760
Total Support Services Expenses – Management and General	$406,790	$359,078

NOTE 6 - COMMITMENTS AND CONTINGENCIES

LEGAL

Where a home is subject to LCHF's program, the obligation of the transferor and transferee of the home to pay the endowment fee (as described in Note (1) above) is imposed by the Fee Agreement recorded against the residential real property that is described in the Fee Agreement. The Fee Agreement is typically recorded against residential real property being developed by a Lennar Corporation affiliates ("Lennar"), including homes built and offered for sale by Lennar or other home builders participating in the Lennar development. Section 5.2 of the Fee Agreement states that the Fee Agreement is subordinate to Deeds of Trust recorded in a first position to secure new home loans. Nevertheless, a number of

NOTE 6 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

LEGAL (CONTINUED)

California home loan underwriters in late 2009 questioned Lennar about compliance of the Fee Agreement with regulations of the Department of Housing and Urban Development ("HUD") pertaining to encumbrances against homes being purchased with loans insured by the Federal Housing Administration ("FHA").

FHA-insured loans are an important method of financing the purchase of new and existing homes. LCHF's Board of Directors has acknowledged that it is in the best interests of LCHF to cooperate with Lennar, with other home builders and with buyers of new and existing homes who are attempting to obtain FHA-insured loans, and to resolve any potential impediment to the financing of home purchases that are subject to the Fee Agreement.

To eliminate the possibility of impeding the purchase of homes with FHA-insured financing, LCHF has adopted an interim policy to release such homes from the encumbrance of the Fee Agreement. To implement this interim policy, LCHF has developed an instrument entitled "Notice of Partial Release" that may be recorded for any individual home being financed by an FHA-insured loan. Commencing in 2009, Notices of Partial Release have been recorded by LCHF whenever LCHF has been made aware that particular home purchases are being financed by FHA-insured loans. LCHF's Board of Directors plans to continue this practice of releasing homes with FHA-insured loans from the encumbrance of the Fee Agreement until the issue of compliance with HUD regulations has been resolved to the satisfaction of LCHF.

As a second element of the LCHF's interim policy, if Lennar advises that a phase or neighborhood of new homes will be advertised as being approved for FHA-insured financing, LCHF will not record the Fee Agreement over those new homes.

The effect of the two elements of this interim policy has been to reduce the level of revenue generated by the endowment fee where either the obligation to pay that endowment fee upon transfer is eliminated by the recording of the Notice of Partial Release, or the Fee Agreement is not initially recorded.

The Federal Housing Finance Agency ("FHFA") is the Conservator for Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac are Government Service Agencies that purchase conforming home loans. FHFA published its Final Rule, effective July 16, 2012, which precludes Fannie Mae and Freddie Mac from purchasing loans on homes subject to private transfer fee covenants created on or after February 8, 2011. The endowment fee agreements recorded by LCHF are private transfer fee covenants, and the endowment fees

NOTE 6 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

LEGAL (CONTINUED)

are private transfer fees as defined in the Final Rules. All of the Endowment Fee Agreements, under which LCHF is the current beneficiary of Endowment Fees, were recorded prior to February 8, 2011. Hence, the Final Rule of FHFA does not affect the current collection of endowment fees by LCHF.

LCHF is subject to legal actions normally associated with not-for-profit organizations. In the opinion of management, LCHF had no contingencies that would be material to the financial position of LCHF for the years ended December 31, 2014 and 2013.

NOTE 7 - SUBSEQUENT EVENTS

LCHF evaluated subsequent events through July 13, 2015, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.