

SUTTER COMMUNITY AFFORDABLE HOUSING

1455 BUTTE HOUSE ROAD
YUBA CITY, CA 95993
(530) 671-0220

February 19, 2015


TO:

Diane Hodges, President
Gustavo Becerra, Secretary/Treasurer
Charles Epp, Board Member
Richard Grant, Board Member
Barbara Swift, Board Member
Martha Griese, Board Member
Kimberly Butcher, Board Member
Sarah Becker, Board Member

Sutter County Board of Supervisors
Duane Oliveira, Legal Counsel
City Council, Yuba City
City Council, Live Oak
Appeal Democrat

NOTICE OF REGULAR MEETING
February 24, 2015

You are hereby notified that the Sutter Community Affordable Housing Regular Board Meeting is scheduled for **Tuesday, February 24, 2015, at 12:00 PM at River City Manor, 655 Joann Way, Yuba City, CA 95993.**



Gustavo Becerra
Secretary/Treasurer

SUTTER COMMUNITY AFFORDABLE HOUSING

Regular Meeting of Board of Directors
River City Manor
655 Joann Way, Yuba City, CA 95993

Tuesday, February 24, 2015
12:00 NOON

AGENDA

1. Call to order
2. Roll Call
3. Public Participation: Members of the public shall be provided with an opportunity to address the Board of Directors on items of interest that are within the subject matter jurisdiction on the Board.
4. Approval of Minutes – June 17, 2014
5. Approval to Submit Audit for FYE 2014 into record
6. Update for Kristen Court Apartments (Live Oak)
7. Occupancy/Eligibility Update on Maple Park, Town Center and Yolo/Heiken
8. Maintenance Update on Maple Park, Town Center and Yolo/Heiken
9. Director's Comments
10. Adjournment

SUTTER COMMUNITY AFFORDABLE HOUSING
Minutes
Special Board Meeting
June 17, 2014

1. Call to Order: President Richard Grant called the meeting to order at River City Manor, 655 Joann Way, Yuba City, CA 95993.
2. Roll Call: Board Members present were President Richard Grant, Members Linda Nichols, Kimberly Butcher, Tej Maan, Barbara Swift and Diane Hodges. Board Members Sarah Becker, Martha Griese and Antonia Fresquez were absent.
3. Public Participation: None
4. Approval of Minutes – January 28, 2014: Board Member Kimberly Butcher made a motion to approve the minutes of the January 28, 2014 meeting as submitted. Board Member Linda Nichols made the second. All were in favor by voice vote.
5. Approval of Budget: Chief Financial Officer Gail Allen went over the report that was provided in the Board packet. She stated the budget went over but was able to be covered by reserve funds. Ms. Allen explained there was extensive rehabilitation on one of the units at Yolo/Heiken but now that it is rented, it should bring in more revenue.

She explained there was a small increase in management fees but no rent increases.

Board Member Diane Hodges made a motion to approve the fiscal year ending 2015 operating budget. Board Member Barbara Swift made the second. All were in favor by voice vote.

6. Approval to Enter into a Limited Partnership Agreement for Kristen Court Apartments: Board Member Linda Nichols passed out a copy of the presentation that would be used for the Live Oak City Council meeting later that night. She explained the Housing Authority was approached to do a housing project in Live Oak and would part owner and management. Ms. Nichols stated the Housing Authority would transfer the land to Sutter Community Affordable Housing to provide affordable tax credit family units. The partnership would be very similar to the Maple Park Phase I project. She mentioned there would be no out of pocket expenses.

Board Member Barbara Swift made a motion to approve the Agreement, and authorize the Secretary/Treasurer to execute the Agreement and any other documents necessary to carry out the terms of the Agreement.

7. Update for Maple Park Phase II: Board Member Linda Nichols said the HOME grant was awarded and said staff will be applying for more funding which at this time the

application processes are very competitive.. She stated the Sources and Uses documents would be brought to the Board. She is excited the project is moving forward.

8. Resolution 14-26 – Town Center Senior Manor Collection Loss Write-Off: Board member Tej Maan made a motion to approve Resolution 14-26 – Town Center Senior Manor Collection Loss Write-Off in the amount of \$1,813.00. Board Member Kimberly Butcher made the second. The following roll call vote was take:

Vote: Ayes: President Richard Grant, Board Members Diane Hodges,
Tej Maan, Linda Nichols, Barbara Swift, Kimberly Butcher
Nays: None
Abstain: None
Absent: Board Members Martha Griese, Sarah Becker and Antonia
Fresquez

9. Resolution 14-27 - Yolo/Heiken Collection Loss Write-Off: Board member Diane Hodges made a motion to approve Resolution 14-27 – Yolo/Heiken Collection Loss Write-Off in the amount of \$846.53. President Richard Grant made the second. The following roll call vote was take:

Vote: Ayes: President Richard Grant, Board Members Diane Hodges,
Tej Maan, Linda Nichols, Barbara Swift, Kimberly Butcher
Nays: None
Abstain: None
Absent: Board Members Martha Griese, Sarah Becker and Antonia
Fresquez

10. Occupancy/Eligibility Update on Maple Park, Town Center and Yolo/Heiken: Housing Services Manager Jeni Bobadilla explained there are two waiting list for Maple Park, one for the Project Based Vouchers and one for the affordable units. She stated Yolo/Heiken is fully leased with four out of the five units have Project Based Vouchers. Mrs. Bobadilla said there are the normal move-ins and move-outs at Town Center Senior Manor.

11. Maintenance Update on Maple Park, Town Center and Yolo/Heiken: Assistant Maintenance Manager Tom Goodwin went over the report that was provided and said everything is going fine.

12. Election of Officers: President and Vice-President: Board Member Richard Grant made a motion to appoint Board Member Diane Hodges as President. Board Member Tej Maan made the second. All were in favor by voice vote.

Board Member Richard Grant made a motion to appoint Board Member Tej Maan as Vice-President. Board Member Barbara Swift made the second. All were in favor by voice vote.

13. Director's Comments: Board Member Linda Nichols stated Umpqua Bank gave \$5,000.00 to the Sutter Community Affordable Housing Non-Profit to provide upgrades to the community room at Town Center Senior Manor.

Board Member Kimberly Butcher stated the preschool is providing food services for anyone 18 years and under and it doesn't matter where they reside in the community.

Board Member Richard Grant said it is an exciting time and glad to see the new projects that are in the works and hoping there are more to come.

14. Adjournment: The meeting was adjourned.

NPmn06282014

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Directors
Sutter Community Affordable Housing
Yuba City, California

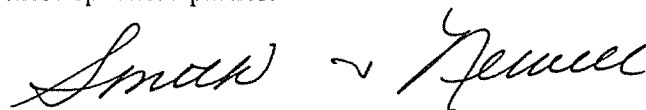
In planning and performing our audit of the financial statements of Sutter Community Affordable Housing, (Corporation) as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the attached appendix to be a significant deficiency.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.



Smith & Newell, CPAs
Yuba City, California
September 10, 2014

**Sutter Community Affordable Housing
Appendix A: Management Letter Comments
For the Fiscal Year Ended March 31, 2014**

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

Operating Deficit (Significant Deficiency)

Condition

At the time of our audit we noted that Sutter Community Affordable Housing continued to have operating expenses in excess of operating revenues. Although the Corporation has been able to maintain a positive cash flow, the yearly operating deficit continues primarily because of accrued interest on debt. At March 31, 2014, the total deficit in net assets in the Town Center fund was \$1,643,115 and the total deficit in net assets in the Yolo Street/Heiken Way fund was \$46,262. This is a repeat of a prior year finding.

Cause

The Corporation continues to expend more than it is receiving in dwelling rents and subsidies.

Criteria

Sound management practices require that efforts be made to ensure that fees for services, including rental fees, be adequate to cover expenses incurred as well as provide for future debt payments.

Effect of Condition

Sutter Community Affordable Housing is incurring operating deficits.

Recommendation

We recommend that Sutter Community Affordable Housing evaluate options that may be available to decrease operating deficits. If it is not possible to reduce expenses to a breakeven point, reducing expenses at least to the breakeven point prior to accrued interest would be a positive accomplishment.

Management Response

Sutter Community Affordable Housing currently has four loans/grants for the Town Center Senior Manor and Yolo Heiken properties.

Town Center Senior Manor

- Loan 1 – \$673,367 HOME Promissory Note with the City of Yuba City. Interest rate of 3% per year, no principal payments are due until 2053 or Event of Default.
- Loan 2 – \$1,323,589 RDA Promissory Note. Same repayment terms as Loan #1.
- Interest for Town Center Senior Manor loans accrues annually in accordance with the above Agreements, but is not included in yearly budgets.

**Sutter Community Affordable Housing
Appendix A: Management Letter Comments
For the Fiscal Year Ended March 31, 2014**

CURRENT YEAR COMMENTS AND RECOMMENDATIONS (CONTINUED)

Operating Deficit (Significant Deficiency) (Continued)

Management Response (Continued)

Yolo Heiken

- Loan 1 – \$100,000 AHP Promissory Note with the City of Yuba City. Zero interest, forgivable 11/19/2013 and is in the process of being removed from Title.
- Grant 2 – \$160,000 City of Yuba City Promissory Note. Zero interest, no principal payments are due until 2056.

**Sutter Community Affordable Housing
Appendix A: Management Letter Comments
For the Fiscal Year Ended March 31, 2014**

STATUS OF PRIOR YEAR RECOMMENDATIONS

Operating Deficit (Significant Deficiency)

Prior Year Recommendation

We recommend that Sutter Community Affordable Housing evaluate options that may be available to decrease operating deficits. If it is not possible to reduce expenses to a breakeven point, reducing expenses at least to the breakeven point prior to accrued interest would be a positive accomplishment.

Status of Prior Year Recommendation

Not Implemented

Security Deposits

Prior Year Recommendation

We recommend that all security deposits be collected in accordance with the rental agreement and that documentation supporting the security deposits be retained in the tenant's file.

Status of Prior Year Recommendation

Implemented

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE
CONCLUSION OF THE AUDIT**

To the Board of Directors
Sutter Community Affordable Housing
Yuba City, California

We have audited the financial statements of Sutter Community Affordable Housing (a nonprofit Corporation) for the year ended March 31, 2014, and have issued our report thereon dated September 10, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during the planning of our audit. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2014. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Corporation's financial statements are depreciation of capital assets.

Management's estimate of depreciation is based on estimated or actual historical cost and the useful lives of such assets. We evaluated the key factors and assumptions used to develop the Corporation's estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Board of Directors
Sutter Community Affordable Housing
Yuba City, California

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has agreed to correct all such misstatements. Items identified as significant deficiencies are identified in Appendix A of the Management Letter.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

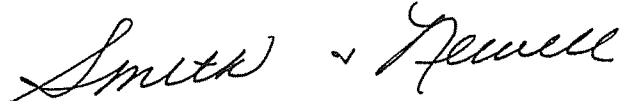
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

To the Board of Directors
Sutter Community Affordable Housing
Yuba City, California

This information is intended solely for the use of the Board of Directors and management of the entity and is not intended to be, and should not be, used by anyone other than these specified parties.

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Smith & Newell, CPAs
Yuba City, California
September 10, 2014

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**SUTTER COMMUNITY
AFFORDABLE HOUSING
(A California Non Profit Corporation)**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
MARCH 31, 2014**

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SUTTER COMMUNITY AFFORDABLE HOUSING
Annual Financial Report
For the Year Ended March 31, 2014

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INTRODUCTORY SECTION

- **Members of the Board**

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SUTTER COMMUNITY AFFORDABLE HOUSING

Board of Directors

For the Year Ended March 31, 2014

Richard Grant	President
Linda Nichols	Secretary/Treasurer
Barbara Swift	Member
Martha Griese	Member
Diane Hodges	Member
Sarah Becker	Member
Kimberly Butcher	Member
Antonia Fresquez	Member
Richard Grant	Member

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Basic Financial Statements**
- **Supplementary Information**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Sutter Community Affordable Housing
Yuba City, California

We have audited the accompanying financial statements of Sutter Community Affordable Housing, California (a nonprofit Corporation), which comprise the statement of financial position as of March 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes assessing 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 Sutter Community Affordable Housing as of March 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Board of Directors
Sutter Community Affordable Housing
Yuba City, California

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

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Smith & Newell, CPAs
Yuba City, California
September 10, 2014

Basic Financial Statements

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SUTTER COMMUNITY AFFORDABLE HOUSING
Statement of Financial Position
March 31, 2014

	<u>Town Center</u>	<u>Yolo Street/ Heiken Way</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and deposits	\$ 158,972	\$ 5,658	\$ 164,630
Imprest cash	25	-	25
Accounts receivable	2,789	2,171	4,960
Due from other funds	32,182	12,598	44,780
Total Current Assets	<u>193,968</u>	<u>20,427</u>	<u>214,395</u>
Capital Assets			
Buildings	2,279,088	180,244	2,459,332
Leasehold improvements	76,346	21,757	98,103
Furniture and equipment	6,320	-	6,320
Accumulated depreciation	(1,141,889)	(72,098)	(1,213,987)
Total Capital Assets, Net	<u>1,219,865</u>	<u>129,903</u>	<u>1,349,768</u>
Total Assets	<u>\$ 1,413,833</u>	<u>\$ 150,330</u>	<u>\$ 1,564,163</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 17,466	\$ 2,471	\$ 19,937
Security deposits	11,265	1,797	13,062
Prepaid tenant rent	1,113	142	1,255
Due to other funds	12,598	32,182	44,780
Total Current Liabilities	<u>42,442</u>	<u>36,592</u>	<u>79,034</u>
Noncurrent Liabilities			
Accrued interest payable	917,550	-	917,550
Loans payable			
RDA loan	1,323,589	-	1,323,589
HOME loan	673,367	-	673,367
Yuba City loan	-	160,000	160,000
Total Noncurrent Liabilities	<u>2,914,506</u>	<u>160,000</u>	<u>3,074,506</u>
Total Liabilities	<u>2,956,948</u>	<u>196,592</u>	<u>3,153,540</u>
NET ASSETS			
Unrestricted	(1,543,115)	(46,262)	(1,589,377)
Total Net Assets	<u>(1,543,115)</u>	<u>(46,262)</u>	<u>(1,589,377)</u>
Total Liabilities and Net Assets	<u>\$ 1,413,833</u>	<u>\$ 150,330</u>	<u>\$ 1,564,163</u>

The notes to the basic financial statements are an integral part of this statement.

SUTTER COMMUNITY AFFORDABLE HOUSING

Statement of Activities

For the Year Ended March 31, 2014

	Town Center	Yolo Street/ Heiken Way	Total
OPERATING REVENUES AND OTHER SUPPORT			
Dwelling rents	\$ 181,100	\$ 38,281	\$ 219,381
Other income	4,115	654	4,769
Total Operating Revenues and Other Support	185,215	38,935	224,150
OPERATING EXPENSES			
Management fees	14,060	1,807	15,867
Supplies	6,852	1,521	8,373
Water	2,863	1,044	3,907
Electricity	9,152	428	9,580
Gas	319	1,783	2,102
Garbage	4,685	1,079	5,764
Sewer	9,434	1,723	11,157
Office expense	1,906	162	2,068
Outside services	86,499	11,844	98,343
Insurance	8,821	1,260	10,081
Taxes	1,213	557	1,770
Miscellaneous	1,773	253	2,026
Depreciation	80,857	6,009	86,866
Total Operating Expenses	228,434	29,470	257,904
Operating Income (Loss)	(43,219)	9,465	(33,754)
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	146	2	148
Gain on extinguishment of debt	100,000	-	100,000
Interest expense	(59,908)	-	(59,908)
Total Non-Operating Revenues (Expenses)	40,238	2	40,240
Change in Net Assets	(2,981)	9,467	6,486
Total Net Assets - Beginning	(1,540,134)	(55,729)	(1,595,863)
Total Net Assets - Ending	\$ (1,543,115)	\$ (46,262)	\$ (1,589,377)

The notes to the basic financial statements are an integral part of this statement.

SUTTER COMMUNITY AFFORDABLE HOUSING

Statement of Cash Flows

For the Year Ended March 31, 2014

	<u>Town Center</u>	<u>Yolo Street/ Heiken Way</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 184,669	\$ 40,057	\$ 224,726
Payments to suppliers for goods and services	<u>(143,908)</u>	<u>(31,365)</u>	<u>(175,273)</u>
Net Cash Provided (Used) by Operating Activities	<u>40,761</u>	<u>8,692</u>	<u>49,453</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund loans made	(32,182)	-	(32,182)
Interfund loans received	-	32,182	32,182
Interfund loans repayments received	17,485	-	17,485
Interfund loans repaid	<u>-</u>	<u>(17,485)</u>	<u>(17,485)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(14,697)</u>	<u>14,697</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	<u>(22,266)</u>	<u>(21,757)</u>	<u>(44,023)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(22,266)</u>	<u>(21,757)</u>	<u>(44,023)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	<u>146</u>	<u>2</u>	<u>148</u>
Net Cash Provided (Used) by Investing Activities	<u>146</u>	<u>2</u>	<u>148</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,944	1,634	5,578
Balances - Beginning	<u>155,053</u>	<u>4,024</u>	<u>159,077</u>
Balances - Ending	<u>\$ 158,997</u>	<u>\$ 5,658</u>	<u>\$ 164,655</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (43,219)	\$ 9,465	\$ (33,754)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	80,857	6,009	86,866
Decrease (increase) in:			
Accounts receivable	(1,941)	482	(1,459)
Increase (decrease) in:			
Accounts payable	13,669	2,096	15,765
Due to RHASNC	(10,000)	(10,000)	(20,000)
Security deposits	514	500	1,014
Prepaid tenant rent	881	140	1,021
Net Cash Provided (Used) by Operating Activities	<u>\$ 40,761</u>	<u>\$ 8,692</u>	<u>\$ 49,453</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Loan forgiveness	\$ 100,000	\$ -	\$ 100,000

The notes to the basic financial statements are an integral part of this statement.

SUTTER COMMUNITY AFFORDABLE HOUSING

Notes to Basic Financial Statements

For the Year Ended March 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in ASC 958. Under FASB ASC 958, the Corporation 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. The deficit in unrestricted net assets represent the excess of liabilities over assets.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Corporation and/or the passage of time. The Corporation does not have any temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Corporation. The Corporation does not have any permanently restricted net assets.

F. Cash and Deposits

Cash and deposits held by the Corporation at March 31, 2014, consists of cash held in checking and saving accounts at banks which are secured by the Federal Deposit Insurance Corporation (FDIC). The balance in these banks did not exceed amounts covered by the FDIC. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash deposits. Concentration of credit risk associated with investments is considered low due to the credit quality of the financial institutions holding these cash deposits and the Federal Deposit Insurance Corporation coverage.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

H. Accounts Receivable

Accounts receivable at March 31, 2014, consisted primarily of tenant dwelling rents. Management considers all amounts to be collectible and therefore has established no allowance for uncollectibles.

I. Inventories

Purchases of supplies are recorded as an expense at the time of purchase. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

SUTTER COMMUNITY AFFORDABLE HOUSING

Notes to Basic Financial Statements For the Year Ended March 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets are defined by the Corporation as assets with a cost of more than \$1,000 and an estimated useful life of more than two years. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at their estimated fair market value at the date of donation.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. The estimated useful lives of depreciable assets are as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Furniture and equipment	5- 10 years
Buildings	30 years

Expenses for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized.

K. Interfund Transactions

Following is a description of the four basic types of interfund transactions made during the year and the related accounting policies:

Due to/from other funds - loans between funds reported as receivables and payables and referred to as due to/from other funds.

Quasi-external (charges for current services) - transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenses in the disbursing fund.

Reimbursements (expenditure transfers) - transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenses in the disbursing fund and a reduction of expenses in the receiving fund.

Transfers - all other interfund transactions which allocate resources from one fund to another fund. These transactions are recorded as operating transfers in and out.

L. Revenue Recognition

Dwelling rents are recognized when earned. When rents are received in advance of the due date, they are recorded as prepaid tenant rent.

M. Gain on Extinguishment of Debt

A gain on extinguishment of debt was recorded for the AHP loan, issued November 19, 1998, in the amount of \$100,000. The terms of the original agreement provided for forgiveness of the entire principal amount upon the expiration of the fifteen year term of the note provided the Authority had been in compliance with the AHP requirements throughout the term.

SUTTER COMMUNITY AFFORDABLE HOUSING

Notes to Basic Financial Statements

For the Year Ended March 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: DEFICIT NET ASSETS

The Corporation had deficit net assets in the following individual funds as of March 31, 2014:

Town Center	\$ 1,543,115
Yolo Street Heiken Way	46,262

These deficits are caused primarily by debt and accrued interest on debt. Repayment of this debt and accrued interest has either been deferred by the lenders until the Corporation has adequate revenue to begin repayment or is scheduled to be forgiven if compliance requirements are met.

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of March 31, 2014, cash and investments consisted of the following:

Deposits in banks	\$ 164,630
Imprest cash	<u>25</u>
Total Cash	<u>\$ 164,655</u>

B. Cash

At year end, the carrying amount of the Corporation's cash deposits in banks was \$164,630 and the bank balance was \$190,267. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consist of March dwelling rents and rent subsidies. The balance at March 31, 2014 was \$4,960 and all material amounts are considered ultimately collectible therefore no allowance for doubtful accounts was considered necessary. Of the \$4,960 balance, \$2,735 was over 90 days old.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 5: CAPITAL ASSETS

A summary of capital assets at March 31, 2014 follows:

	<u>Balance</u> <u>March 31, 2014</u>
Buildings	\$ 2,459,332
Leasehold improvements	98,103
Furniture and equipment	<u>6,320</u>
Total	2,563,755
Accumulated Depreciation	<u>(1,213,987)</u>
Total Capital Assets, Net	<u>\$ 1,349,768</u>

NOTE 6: INTERFUND TRANSACTIONS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. The following are due from and due to balances at March 31, 2014:

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
Town Center	\$ 32,182	\$ 12,598
Yolo Street/Heiken Way	<u>12,598</u>	<u>32,182</u>
Total	<u>\$ 44,780</u>	<u>\$ 44,780</u>

NOTE 7: LOANS PAYABLE

A summary of loans payable at March 31, 2014 follows:

RDA Loan - Interest is at 3 percent of the unpaid balance. No principal payments are due until 2053. Total accrued interest payable at March 31, 2014 was \$613,891.	\$ 1,323,589
HOME Loan - Interest is at 3 percent of the unpaid balance. No principal payments are due until 2053. Total accrued interest payable at March 31, 2014 was \$303,659.	673,367
City of Yuba City Loan - Interest is at zero percent of the unpaid balance. No principal payments are due until 2056.	<u>160,000</u>
Total Loans Payable	<u>2,156,956</u>
Less Amount Due Within One Year	<u>-</u>
Total Long-Term Portion Loans Payable	<u>\$ 2,156,956</u>

SUTTER COMMUNITY AFFORDABLE HOUSING

Notes to Basic Financial Statements

For the Year Ended March 31, 2014

NOTE 7: LOANS PAYABLE (CONTINUED)

The required principal payments and interest accruals on the loans payable are as follows:

Fiscal Year Ended March 31	Principal	Interest	Total
2015	\$ -	\$ 59,909	\$ 59,909
2016	-	59,909	59,909
2017	-	59,909	59,909
2018	-	59,909	59,909
2019	-	59,909	59,909
2020-2024	-	299,543	299,543
2025-2029	-	299,543	299,543
2030-2034	-	299,543	299,543
2035-2039	-	299,543	299,543
2040-2044	-	299,543	299,543
2045-2049	-	299,543	299,543
2050-2054	1,996,956	299,543	2,296,499
2055-2059	<u>160,000</u>	-	<u>160,000</u>
Total	<u>\$2,156,956</u>	<u>\$ 2,396,346</u>	<u>\$ 4,553,302</u>

NOTE 8: RELATED PARTY TRANSACTIONS

The financial accounting of the Corporation is maintained by the Regional Housing Authority of Sutter and Nevada Counties. In addition, the land on which the Town Center apartments are located is leased for a period of 55 years from the Authority for one dollar a year. The total amount paid to the Regional Housing Authority of Sutter and Nevada Counties for the year ended March 31, 2014 was \$87,094.

NOTE 9: RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation is covered by the Regional Housing Authority of Sutter and Nevada Counties risk management for errors and omissions. The Corporation carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10: CONTINGENT LIABILITIES

The AHP loan has been reflected as forgiven, however, the process of recording the reconveyance is still being finalized.

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated events subsequent to March 31, 2014 through September 10, 2014, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

Supplementary Information

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SUTTER COMMUNITY AFFORDABLE HOUSING

Note to Schedule of Functional Expenses

For the Year Ended March 31, 2014

SCHEDULE OF FUNCTIONAL EXPENSES

In the Schedule of Functional Expenses of the Sutter Community Affordable Housing, expenses are reported on a functional basis. Costs are divided between program services and management and general. The Corporation uses estimates to allocate the expenses.

SUTTER COMMUNITY AFFORDABLE HOUSING
Schedule of Functional Expenses
For the Year Ended March 31, 2014

	<u>Program Services</u>	<u>Town Center Management and General</u>	<u>Total</u>
OPERATING EXPENSES			
Management fees	\$ 13,357	\$ 703	\$ 14,060
Supplies	6,509	343	6,852
Water	2,720	143	2,863
Electricity	8,694	458	9,152
Gas	303	16	319
Garbage	4,451	234	4,685
Sewer	8,962	472	9,434
Office expense	1,811	95	1,906
Outside services	82,174	4,325	86,499
Insurance	8,380	441	8,821
Taxes	1,152	61	1,213
Miscellaneous	1,684	89	1,773
Depreciation	76,814	4,043	80,857
Total Operating Expenses	<u>\$ 217,011</u>	<u>\$ 11,423</u>	<u>\$ 228,434</u>

Yolo Street/Heiken Way			Total		
Program Services	Management and General	Total	Program Services	Management and General	Total
\$ 1,717	\$ 90	\$ 1,807	\$ 15,074	\$ 793	\$ 15,867
1,445	76	1,521	7,954	419	8,373
992	52	1,044	3,712	195	3,907
407	21	428	9,101	479	9,580
1,694	89	1,783	1,997	105	2,102
1,025	54	1,079	5,476	288	5,764
1,637	86	1,723	10,599	558	11,157
154	8	162	1,965	103	2,068
11,252	592	11,844	93,426	4,917	98,343
1,197	63	1,260	9,577	504	10,081
529	28	557	1,681	89	1,770
240	13	253	1,924	102	2,026
5,709	300	6,009	82,523	4,343	86,866
<u>\$ 27,998</u>	<u>\$ 1,472</u>	<u>\$ 29,470</u>	<u>\$ 245,009</u>	<u>\$ 12,895</u>	<u>\$ 257,904</u>

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