

SUTTER COMMUNITY AFFORDABLE HOUSING

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

October 15, 2019

TO:

Brynda Stranix, President	Sutter County Board of Supervisors
Gustavo Becerra, Secretary/Treasurer	City Council, Yuba City
Diane Hodges, Board Member	City Council, Live Oak
Richard Grant, Board Member	Brant Bordsen, Legal Counsel
Martha Griese, Board Member	Appeal-Democrat
Kimberly Butcher, Board Member	
Manny Cardoza, Board Member	
Suzanne Gallaty, Board Member	

NOTICE OF REGULAR MEETING

October 22, 2019

You are hereby notified that the Sutter Community Affordable Housing Board Meeting is scheduled for **Wednesday, October 22, 2019, at 12:00 PM at Richland Neighborhood Center, 420 Miles Avenue, Yuba City, CA 95991.**



Gustavo Becerra
Secretary/Treasurer

SUTTER COMMUNITY AFFORDABLE HOUSING

Regular Meeting of Board of Directors
Richland Neighborhood Center
420 Miles Avenue, Yuba City, CA 95991

Tuesday, October 22, 2019
12:00 NOON

AGENDA

1. Call to order
2. Roll Call
3. Pledge of Allegiance
4. 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.
5. Approval of Minutes – August 27, 2019
6. Acceptance of Audit for FYE 2019 into Record
Marco Cruz, Chief Financial Officer
7. Director's Comments
8. Adjournment

SUTTER COMMUNITY AFFORDABLE HOUSING
Minutes
Regular Board Meeting
August 27, 2019

1. Call to Order: President Brynda Stranix called the meeting to order at the Town Center Senior Manor Community Room, 506 Plumas Street, Yuba City, CA 95991.
2. Roll Call: Board Members present were President Brynda Stranix, Board Members Gustavo Becerra, Manny Cardoza, Suzanne Gallaty and Richard Grant. Board Members Martha Griese and Kimberly Butcher arrived later in the meeting. Board Member Diane Hodges was absent.
3. Pledge of Allegiance: Board Member Richard Grant led the pledge of allegiance.
4. Public Participation: A few residents from Town Center Senior Manor were present, Barbara (Bobbie) Olivar, Nancy Allison and Brenda Lamance, as well as Regional Housing Authority Commissioner Bob Woten.
5. Approval of Minutes – March 27, 2019: Board Member Richard Grant made a motion to approve the minutes of the March 27, 2019 meeting as submitted. Board Member Manny Cardoza made the second. All were in favor by voice vote.
6. Resolution 19-35, Approval of the Purchasing, Capitalization and Depreciation Policy: Chief Financial Officer Marco Cruz said the Housing Authority updated their depreciation policy and this is updating the policy for this entity.

Board Member Manny Cardoza made a motion to approve Resolution 19-35, Approval of the Purchasing, Capitalization and Depreciation Policy. Board Member Suzanne Gallaty made the second. The following roll call vote was taken:

Vote: Ayes: President Brynda Stranix, Board Members Richard Grant,
Manny Cardoza, Gustavo Becerra, Kimberly Butcher,
Suzanne Gallaty and Martha Griese
Nays: None
Abstain: None
Absent: Board Member Diane Hodges

7. Resolution 19-36, Resolution, Waiver of Notice and Unanimous Consent to Action: Planning and Community Development Manager Beckie Flores said the following four items are all related to the Kristen Court Apartments II. She mentioned the two resolutions are authorizing the President or the Secretary/Treasurer to execute any documents for the closing of the construction financing for the project.

Board Member Manny Cardoza made a motion to approve Resolution 19-36, Resolution, Waiver of Notice and Unanimous Consent to Action. Board Member Kimberly Butcher made the second. The following roll call vote was taken:

Vote: Ayes: President Brynda Stranix, Board Members Richard Grant, Manny Cardoza, Gustavo Becerra, Kimberly Butcher, Suzanne Gallaty and Martha Griese

Nays: None

Abstain: None

Absent: Board Member Diane Hodges

8. Resolution 19-37, Corporate Resolution for Kristen Court Apartments II: Board Member Manny Cardoza made a motion to approve Resolution 19-37, Corporate Resolution for Kristen Court Apartments II. Board Member Kimberly Butcher made the second. The following roll call vote was taken:

Vote: Ayes: President Brynda Stranix, Board Members Richard Grant, Manny Cardoza, Gustavo Becerra, Kimberly Butcher, Suzanne Gallaty and Martha Griese

Nays: None

Abstain: None

Absent: Board Member Diane Hodges

9. Ratification for Authorization to Execute the Partnership Resolution for Kristen Court Apartments II: Board Member Manny Cardoza made a motion to approve the Ratification for Authorization to Execute the Partnership Resolution for Kristen Court Apartments II. Board Member Richard Grant made the second. All were in favor by voice vote.
10. Ratification for Authorization to Execute the Incumbency Certificate for Kristen Court Apartments II: Board Member Manny Cardoza made a motion to approve the Ratification for Authorization to Execute the Incumbency Certificate for Kristen Court Apartments II. Board Member Richard Grant made the second. All were in favor by voice vote.
11. Maintenance Update on Maple Park Phase 1, Town Center Senior Manor, and Yolo/Heiken: Operations Manager Tom Goodwin explained the work order numbers are average for this time of the year. He stated there will be an increase in the number of work orders for Maple Park as staff will be inspecting each unit.

Mr. Goodwin also mentioned the last roof at Town Center Senior Manor will be replaced soon. He stated staff is still addressing a plan to replace the fire system upgrade at Town Center Senior Manor because it will be very invasive to the residents.

Mr. Goodwin shared the tree at Yolo/Heiken was trimmed after legal council became involved but has now grown back.

12. Occupancy/Eligibility Update on Maple Park Phase 1, Kristen Court Phase 1, Town Center Senior Manor, and Yolo/Heiken: Board Member Gustavo Becerra stated the occupancy rate remains very high at all properties.

Board Member Richard Grant asked if those affected by the Camp Fire impacted our agency. Mr. Becerra explained there is no emergency housing available through the agency, but those waiting lists that are open did increase.

13. Finance Update: Mr. Cruz stated there were no major projects in the first quarter for Town Center Senior Manor. He shared Yolo/Heiken was in the hole for the first quarter, but this is due to two unit turns, which is not the norm.

14. Planning and Community Development Update: Ms. Flores stated the roof on the last building at Town Center Senior Manor will be replaced in the next few weeks. She said the installation of the cabling will provide for the cables to all be in one spot.

Mr. Flores shared a Tax Credit application was submitted for the New Haven Court project and awards will be announced on September 25, 2019. She mentioned the construction financing for Kristen Court Phase II should be closing next week and site work has already begun.

15. Director's Comments: Board Member Martha Griese shared she has a cabin house for sale in the Challenge/Brownsville area that is fully furnished.

Board Member Richard Grant stated on this day 22 years ago the Sutter Community Affordable Board was created. He said things were slow for a while and it is nice to see the various projects in progress. Board Member Richard Grant said he raves about the Housing Authority and all they do for the community.

Board Member Manny Cardoza stated the City of Yuba City is working on reducing City fees for developers.

Board Member Gustavo Becerra said this entity will remain as active as possible. He shared there is a third phase of Kristen Court planned which will include 33 units of affordable housing. He also stated he is hoping for good news on September 25, the award of the Tax Credit applications.

16. Adjournment: The meeting was adjourned at 12:41 PM.

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

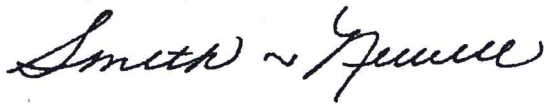
To the Board of Directors
Sutter Community Affordable Housing
Yuba City, California

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, 2019, 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) to determine the 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 material weaknesses and 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. 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. (2019-001)

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 17, 2019

THIS PAGE INTENTIONALLY LEFT BLANK

SUTTER COMMUNITY AFFORDABLE HOUSING
Appendix A: Management Letter Comments
For the Fiscal Year Ended March 31, 2019

CURRENT YEAR FINDING AND RECOMMENDATION

2019-001 Operating Deficit (Significant Deficiency)

Condition

At the time of our audit we noted that Sutter Community Affordable Housing (Corporation) continued to have expenses in excess of revenues. Although the Corporation has been able to maintain a positive cash flow, the yearly decrease in net assets continues primarily because of accrued interest on debt and depreciation. At March 31, 2019, the total deficit in net assets was \$2,057,919. This is a repeat of prior year finding 2018-001.

Cause

The Corporation continues to have expenses in excess of revenues primarily because of accrued interest on debt and depreciation.

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

The Corporation continues to reflect a deficit in net assets.

Recommendation

We recommend that the Corporation evaluate options that may be available to decrease 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.

SUTTER COMMUNITY AFFORDABLE HOUSING
Appendix B: Status of Prior Year Recommendations
For the Fiscal Year Ended March 31, 2019

STATUS OF PRIOR YEAR RECOMMENDATION

2018-001 Operating Deficit

Prior Year Recommendation

We recommend that the Corporation evaluate options that may be available to decrease 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

In Progress

SUTTER COMMUNITY AFFORDABLE HOUSING
Appendix C: Management's Corrective Action Plan
For the Fiscal Year Ended March 31, 2019

Finding 2019-001 Operating Deficit (Significant Deficiency)

We recommend that the Corporation evaluate options that may be available to decrease 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.

Responsible Individual: Marco A. Cruz, Chief Financial Officer

Corrective Action Plan: The non-profit will conduct a long term forecast of capital needs and future loan pay back schedules to ensure that annual operating revenues will enable the non profit to be a going concern. Opportunities for increased revenues and decreased expenses will be assessed.

Anticipated Completion Date: March 31, 2020

THIS PAGE INTENTIONALLY LEFT BLANK

**SUTTER COMMUNITY
AFFORDABLE HOUSING
(A California Nonprofit Corporation)**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
MARCH 31, 2019**

THIS PAGE INTENTIONALLY LEFT BLANK

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Corporation)
Annual Financial Report
For the Year Ended March 31, 2019

Table of Contents

	Page
INTRODUCTORY SECTION	
List of Officials	i
FINANCIAL SECTION	
Independent Auditor's Report.....	1-2
Financial Statements:	
Statement of Net Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Basic Financial Statements	7-11

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

- **List of Officials**

THIS PAGE INTENTIONALLY LEFT BLANK

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Corporation)
List of Officials
For the Year Ended March 31, 2019

Board of Directors

Brynda Stranix	President
Gustavo Becerra	Secretary/Treasurer
Diane Hodges	Member
Manny Cardoza	Member
Kimberly Butcher	Member
Richard Grant	Member
Martha Griese	Member
Suzanne Gallaty	Member

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

- **Independent Auditor's Report**
- **Financial Statements**

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Sutter Community Affordable Housing, Yuba City, California (a nonprofit Corporation), which comprise the statement of financial position as of March 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

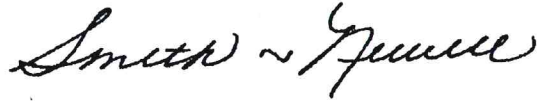
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

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

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, 2019, 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.

A handwritten signature in cursive script, appearing to read "Smith & Newell".

Smith & Newell CPAs
Yuba City, California
September 17, 2019

Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Corporation)
Statement of Financial Position
March 31, 2019

	Totals
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 734
Accounts receivable	1,395
Investment in partnership	(165)
Total Current Assets	1,964
Restricted cash and investments	200,016
Property and Equipment:	
Land	45,061
Buildings	2,414,271
Leasehold improvements	328,740
Furniture and equipment	6,320
Accumulated depreciation	(1,650,575)
Total Assets	\$ 1,345,797
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	\$ 7,624
Due to RHA	7,347
Security deposits	14,517
Prepaid tenant rent	232
Total Current Liabilities	29,720
Accrued interest payable	1,217,094
Loans payable:	
RDA loan	1,323,589
HOME loan	673,367
Yuba City loan	160,000
Total Liabilities	3,403,770
Net Assets:	
Without donor restrictions	(2,057,973)
Total Net Assets	(2,057,973)
Total Liabilities and Net Assets	\$ 1,345,797

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

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Corporation)
Statement of Activities
For the Year Ended March 31, 2019

	Totals
Changes in Net Assets Without Donor Restrictions	
Revenues and gains:	
Dwelling rents	\$ 235,323
Other income	4,803
Interest income	221
Total Revenues and Gains Without Donor Restrictions	240,347
Expenses:	
Program services:	
Town Center	274,774
Yolo Street/Heiken Way	29,433
Total Program Services	304,207
Supporting services:	
Management and general	16,010
Total Supporting Services	16,010
Total Expenses	320,217
Increase (Decrease) in Net Assets Without Donor Restrictions	(79,870)
Net Assets at Beginning of the Year	(1,978,103)
Net Assets at End of the Year	\$ (2,057,973)

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

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Corporation)
Statement of Functional Expenses
For the Year Ended March 31, 2019

	<u>Program Services</u>		<u>Supporting Services</u>	<u>Totals</u>
	<u>Town Center</u>	<u>Yolo Street/ Heiken Way</u>	<u>Management and General</u>	
Management fees	\$ 17,047	\$ 2,191	\$ 1,012	\$ 20,250
Supplies	6,486	178	350	7,014
Water	4,992	1,394	336	6,722
Electricity	8,281	-	436	8,717
Gas	354	322	36	712
Garbage	4,676	1,307	315	6,298
Sewer	13,277	2,434	827	16,538
Office expense	2,175	134	121	2,430
Outside services	67,166	14,925	4,321	86,412
Insurance	4,924	703	296	5,923
Taxes	3,795	531	228	4,554
Interest expense	56,914	-	2,995	59,909
Depreciation	84,687	5,314	4,737	94,738
	<u>\$ 274,774</u>	<u>\$ 29,433</u>	<u>\$ 16,010</u>	<u>\$ 320,217</u>

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

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Corporation)
Statement of Cash Flows
For the Year Ended March 31, 2019

	Totals
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ (79,870)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	94,738
Partnership revenue (expense)	54
Interest expense	59,909
(Increase) decrease in operating assets:	
Accounts receivable	1,859
Increase (decrease) in operating liabilities:	
Accounts payable	3,540
Due to RHA	(14,834)
Security deposits	(216)
Prepaid tenant rent	(1,100)
Net Cash Provided (Used) by Operating Activities	64,080
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of assets	(128,633)
Net Cash Provided (Used) by Capital and Related Financing Activities	(128,633)
Net Increase (Decrease) in Cash and Cash Equivalents	(64,553)
Beginning Cash and Cash Equivalents	265,303
Ending Cash and Cash Equivalents	\$ 200,750

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

Financial Statements

- **Notes to Financial Statements**

THIS PAGE INTENTIONALLY LEFT BLANK

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Corporation)
Notes to Basic Financial Statements
For the Year Ended March 31, 2019

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Nature of Activities

Sutter Community Affordable Housing is located in Yuba City, California and provides housing for low-income families and elderly and handicapped persons who cannot afford decent, safe, and sanitary housing.

B. Income Tax

The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170 (1)(A)(vi).

FASB ASC Topic No. 740, Income Taxes, prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Management of the Corporation believes that it has not taken a tax position that, if challenged, would have a material effect on the financial statements.

The Corporation files Form 990 in the federal jurisdiction within the United States and Form 199 in the State of California. At March 31, 2019, the Corporation's federal tax returns related to the years ended March 31, 2017 through March 31, 2019 remain open to possible examination by tax authorities, and the Corporation's State tax returns related to the years March 31, 2016 through March 31, 2019 remain open to examination by tax authorities. No tax returns are currently under examination by any tax authorities. The Corporation has not incurred any penalties or interest under FASB ASC Topic No. 740.

C. Basis of Accounting

The operations of the Corporation are organized into funds, each of which is considered to be a separate accounting entity. The two funds of the Corporation record the activity of separate projects.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

The financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

D. Basis of Presentation

The Corporation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 958, Not-for-Profit Entities: Presentation of Financial Statements. Under FASB ASC Topic No. 958, the Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions. The deficit in net assets without donor restrictions represents the excess of liabilities over assets.

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Corporation)
Notes to Basic Financial Statements
For the Year Ended March 31, 2019

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Basis of Presentation (Continued)

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. The Corporation does not have any net assets with donor restrictions.

E. 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.

F. Restricted Cash and Investments

Restricted assets represent cash and investments held in Town Center for maintenance reserve, security deposits and reserve for replacement of \$185,711 and in Yolo Street/Heiken Way for maintenance reserve and security deposits of \$14,305 at March 31, 2019.

G. Accounts Receivable

Accounts receivable at March 31, 2019, consisted primarily of tenant dwelling rents. Management considers all amounts to be collectible and therefore has established no allowance for uncollectibles.

H. Inventories

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

I. Property and Equipment

The Corporation capitalizes all property and equipment with a cost of more than \$1,000 and an estimated useful life of more than two years. Assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are recorded at their estimated fair market value at the date of donation.

Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

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

J. 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.

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Corporation)
Notes to Basic Financial Statements
For the Year Ended March 31, 2019

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

K. In Kind Donations

Donated property is reflected in the financial statements at the estimated fair value at the date of receipt. Contributed services are stated at their estimated fair value, if they are ordinarily purchased and are of a specialized nature such as skilled and professional level volunteers. If donated property or services create or enhance an asset, they are capitalized and depreciated according to the capitalization policy.

L. Use of Estimates

The preparation of 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: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Net Assets

The Corporation had total deficit net assets of \$2,057,973 as of March 31, 2019.

This deficit is 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 CASH EQUIVALENTS

As of March 31, 2019, cash and cash equivalents consisted of the following:

Deposits in banks	\$ 200,725
Petty cash	<u>25</u>
Total Cash and Cash Equivalents	<u>\$ 200,750</u>

At March 31, 2019, the Corporation maintains deposits in checking and saving accounts at banks which are secured by the Federal Deposit Insurance Corporation (FDIC). The balance in these banks may at times 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.

NOTE 4: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 200,750
Accounts receivable	<u>1,395</u>
Total	<u>\$ 202,145</u>

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Corporation)
Notes to Basic Financial Statements
For the Year Ended March 31, 2019

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consist of March dwelling rents and rent subsidies. The balance at March 31, 2019 was \$1,395 and all material amounts are considered ultimately collectible, therefore, no allowance for doubtful accounts was considered necessary. Of the \$1,395 balance, \$987 of it was over 90 days old.

NOTE 6: PROPERTY AND EQUIPMENT

Following is a summary of property and equipment as of March 31, 2019:

Land	\$ 45,061
Buildings	2,414,271
Leasehold improvements	328,740
Furniture and equipment	<u>6,320</u>
Total	2,794,392
Less: accumulated depreciation	(<u>1,650,575</u>)
Property and Equipment, Net of Accumulated Depreciation	<u>\$ 1,143,817</u>

Depreciation expense for the year ended March 31, 2019 was \$94,738.

NOTE 7: LOANS PAYABLE

A summary of loans payable at March 31, 2019, is as 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, 2019 was \$812,430.	\$ 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, 2019 was \$404,664.	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	2,156,956
Less: amount due within one year	<u>-</u>
Total Long-Term Portion Loans Payable	<u>\$ 2,156,956</u>

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Corporation)
Notes to Basic Financial Statements
For the Year Ended March 31, 2019

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
2020	\$ -	\$ 59,909	\$ 59,909
2021	-	59,909	59,909
2022	-	59,909	59,909
2023	-	59,909	59,909
2024	-	59,909	59,909
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
2055-2056	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Total	<u>\$ 2,156,956</u>	<u>\$ 2,096,803</u>	<u>\$ 4,253,759</u>

Total accrued interest on these loans as of March 31, 2019 was \$1,217,094.

NOTE 8: RELATED PARTY TRANSACTIONS

The financial accounting of the Corporation is maintained by the Regional Housing Authority (RHA). In addition, the land on which the Town Center apartments are located is leased for a period of 55 years from RHA for one dollar a year. The total amount paid to the RHA for the year ended March 31, 2019 was \$82,416.

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 risk management for errors and omissions. The Corporation carries commercial insurance for all other risks of loss. Settle claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10: OTHER INFORMATION

A. Subsequent Events

Management has evaluated events subsequent to March 31, 2019 through September 17, 2019, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

B. Investment in Partnership

The Corporation is a general partner in Maple Park Phase I, L.P. and Live Oak Pacific Associations. The Corporation's share of profit (loss) and capital is 0.003 percent and 0.005 percent, respectively. The investment in Maple Park Phase I, L.P., at March 31, 2019 was (\$110), and the investment in Live Oak Pacific Associates at March 31, 2019 was (\$55).

THIS PAGE INTENTIONALLY LEFT BLANK