

SUTTER COMMUNITY AFFORDABLE HOUSING

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

September 28, 2021

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	
Nicholas Micheli, Board Member	
Suzanne Gallaty, Board Member	

NOTICE OF SPECIAL MEETING October 4, 2021

You are hereby notified that the Sutter Community Affordable Housing Board Meeting is scheduled for **Monday, October 4, 2021, at 10:00 AM.**

**This meeting will be held via Zoom. The link is <https://zoom.us/j/81217929787>;
Meeting ID: 812 1792 9787; Passcode: 327862; call-in number is 1-669-900-6833.**



Gustavo Becerra
Secretary/Treasurer

SUTTER COMMUNITY AFFORDABLE HOUSING

Special Meeting of Board of Directors

Via ZOOM

[https://zoom.us/j/81217929787;](https://zoom.us/j/81217929787)

Meeting ID: 812 1792 9787;

Passcode: 327862;

call-in number is 1-669-900-6833

Monday, October 6, 2021

10:00 AM

AGENDA

- A. CALL TO ORDER: ROLL CALL
- B. PLEDGE OF ALLEGIANCE
- C. PUBLIC PARTICIPATION: Members of the public shall be provided with an opportunity to address the Board on items of interest that are within the subject matter jurisdiction of the Board. Any member of the audience who may wish to bring something before the Board that is not on the agenda may do so at this time; however, State law provides that no action may be taken on any item not appearing on the posted Agenda. Persons who wish to address the Board during public comment or with respect to an item that is on the agenda, will be limited to three (3) minutes.
- D. AWARDS AND PRESENTATIONS: NONE
- E. EXECUTIVE SESSION: NONE
May be held under California Government Code regarding pending and/or anticipated litigation, property acquisition, and/or personnel issues.
- F. CONSENT CALENDAR: All matters listed under Consent Calendar are considered to be routine and can be enacted in one motion. There will be no separate discussion of these items prior to the time that the Board votes on the motion unless members of the Board request specific items to be discussed or removed from the Consent Calendar for individual action.

- 1. Approval of Minutes – August 24, 2021

pg. 1

- G. OLD BUSINESS: Discussion/Possible Action: NONE

H. NEW BUSINESS: Discussion/Possible Action:

2. Approval of Audit for FYE 2021 pg. 4
Marco Cruz, Chief Financial Officer

3. Resolution 21-46, Approval of Authorizing Resolution for pg. 36
Kristen Court III
Beckie Flores, Planning and Community Development
Manager

4. Resolution 21-47 – Resolution of the Board of Directors of pg. 38
Sutter Community Affordable Housing
Beckie Flores, Planning and Community Development
Manager

5. Resolution 21-48 - Resolution of the Sole Member of Kristen pg. 40
Court III-SCHA, LLC
Beckie Flores, Planning and Community Development
Manager

6. Election of Officers (President and Vice-President)

I. ADMINISTRATIVE REPORT:

7. Finance Update pg. 42
Marco Cruz, Chief Financial Officer

J. DIRECTOR'S COMMENTS:

K. NEXT MEETING: October 26, 2021

L. ADJOURNMENT:

SUTTER COMMUNITY AFFORDABLE HOUSING

Minutes

Regular Board Meeting

Via Zoom

August 24, 2021

ITEM NO. A - CALL TO ORDER:

President Brynda Stranix called the meeting to order via Zoom at 12:03 PM.

ITEM NO. A - ROLL CALL:

Board Members present were President Brynda Stranix, Members Gustavo Becerra, Martha Griese, Nicholas Micheli, and Kimberly Butcher. Board Members Richard Grant, Suzanne Gallaty and Diane Hodges were absent.

Staff present were: Executive Assistant/HR Coordinator Jennifer Ruiz, Occupancy Manager Pattra Runge, Operations Manager Tom Goodwin, Planning and Community Development Manager Beckie Flores and Chief Financial Officer Marco Cruz.

ITEM NO. B. – PLEDGE OF ALLEGIANCE:

Board Member Martha Griese led the pledge of allegiance.

ITEM NO. C. – PUBLIC PARTICIPATION: NONE

ITEM NO. D. – AWARDS AND PRESENTATIONS: NONE

ITEM NO. E. – EXECUTIVE SESSION: NONE

ITEM NO. F.1 - CONSENT CALENDAR:

Board Member Nicholas Micheli made a motion to approve the Consent Calendar as submitted. Board Member Gustavo Becerra made the second. The following roll call vote was taken:

Vote: Ayes: President Brynda Stranix, Board Members Nicholas Micheli,
Gustavo Becerra, Martha Griese, and Kimberly Butcher

Nays: None

Abstain: None

Absent: Board Members Richard Grant, Diane Hodges, and
Suzanne Gallaty

ITEM NO. G. – OLD BUSINESS: NONE

ITEM NO. H.2. – APPROVAL OF OMNIBUS ASSIGNMENT AND ASSUMPTION AGREEMENT:

Chief Financial Officer Marco Cruz explained this agreement will regulate the processes for the various building developments outlining past practices with Regional Housing Authority providing the expertise, staffing, and paying for predevelopment costs. He mentioned the agreement also clarifies for auditors the relationship between Regional Housing Authority and Sutter Community Affordable Housing. Mr. Cruz stated each year Schedule A and Schedule B will be brought back to the board for approval including any new projects.

Board Member Gustavo Becerra made a motion to approve the Omnibus Assignment and Assumption Agreement. Board Member Nicholas Micheli made the second. The following roll call vote was taken:

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

ITEM NO. I.3. – MAINTENANCE UPDATE ON MAPLE PARK PHASE 1, TOWN CENTER SENIOR MANOR, AND YOLO/HEIKEN:

Operations Manager Tom Goodwin mentioned the last quarters work order numbers were lower than normal due to staff performing preventative maintenance. He stated staff continues to do inspections and are maintaining the same standards.

ITEM NO. I.4. – OCCUPANCY/ELIGIBILITY UPDATE ON MAPLE PARK PHASE 1, KRISTEN COURT PHASE 1, TOWN CENTER SENIOR MANOR, AND YOLO/HEIKEN:

Occupancy Manager Pattra Runge said there was a small uptick in moveouts at Town Center Senior Manor due to the pandemic. She shared all properties have a very healthy waiting list. Ms. Runge stated New Haven Court opened in April and is fully leased. She explained the different waiting lists have different preferences when someone applies.

ITEM NO. I.5. – FINANCE UPDATE:

Chief Financial Officer Marco Cruz stated it is a good start to the fiscal year. He said the cash positions for both Town Center Senior Manor and Yolo/Heiken increased since the start of the fiscal year. Mr. Cruz shared he will be bringing the audit to the next meeting for approval.

ITEM NO. I.6. –PLANNING AND COMMUNITY DEVELOPMENT UPDATE:

Planning and Community Development Manager Beckie Flores mentioned New Haven Court and Kristen Court II are fully leased. She said the permanent financing for Kristen Court II closed in July. Ms. Flores shared the property management for New Haven Court have been very responsive to any issues that may be brought up.

Ms. Flores said the construction financing for Kristen Court III should be closing the middle of October. She explained staff is waiting to hear on the awards for the Affordable Housing and Sustainable Communities funding for Richland Village, which should be announce in Octo. Ms. Flores mentioned staff received a letter stating threshold had been met, so that was positive news.

ITEM NO. J – DIRECTOR’S COMMENTS: Board Member Gustavo Becerra said one more meeting may be held via Zoom. The current waiver allowing meetings to be held via Zoom will expire September 30, 2021.

ITEM NO. K – NEXT MEETING: September 28, 2021

ITEM NO. L - ADJOURNMENT: The meeting was adjourned at 12:27 PM.

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
MARCH 31, 2021**

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SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Annual Financial Report
For the Year Ended March 31, 2021

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INTRODUCTORY SECTION

- **List of Officials**

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SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
List of Officials
For the Year Ended March 31, 2021

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
Rich Millhollin	Member

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FINANCIAL SECTION

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

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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 California nonprofit Organization), which comprise the statement of financial position as of March 31, 2021, 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.

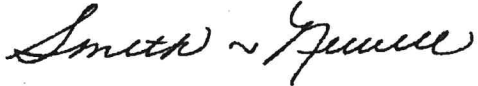
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2021, and the changes in its net assets, statement of functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Smith & Newell CPAs
Yuba City, California
August 18, 2021

Financial Statements

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SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Statement of Financial Position
March 31, 2021

	Totals
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 9,618
Accounts receivable	239
Investment in partnership	(302)
Total Current Assets	9,555
Restricted cash and investments	243,252
Property and Equipment:	
Land	45,061
Buildings	2,414,271
Leasehold improvements	402,970
Furniture and equipment	6,320
Accumulated depreciation	(1,856,501)
Total Assets	\$ 1,264,928
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	\$ 2,571
Due to Regional Housing Authority	6,619
Security deposits	16,523
Prepaid tenant rent	1,377
Total Current Liabilities	27,090
Accrued interest payable	1,336,911
Loans payable:	
RDA loan	1,323,589
HOME loan	673,367
Yuba City loan	160,000
Total Liabilities	3,520,957
Net Assets:	
Without donor restrictions	(2,256,029)
Total Net Assets	(2,256,029)
Total Liabilities and Net Assets	\$ 1,264,928

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

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Statement of Activities
For the Year Ended March 31, 2021

	Totals
Changes in Net Assets Without Donor Restrictions	
Revenues and gains:	
Dwelling rents	\$ 260,903
Other income	5,065
Interest income	53
Total Revenues and Gains Without Donor Restrictions	266,021
Expenses:	
Program services:	
Town Center	303,825
Yolo Street/Heiken Way	34,414
New Haven Court	1,967
Total Program Services	340,206
Supporting services:	
Management and general	17,903
Total Supporting Services	17,903
Total Expenses	358,109
Increase (Decrease) in Net Assets Without Donor Restrictions	(92,088)
Net Assets at Beginning of the Year	(2,163,941)
Net Assets at End of the Year	\$ (2,256,029)

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

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Statement of Functional Expenses
For the Year Ended March 31, 2021

	<u>Program Services</u>			<u>Supporting Services</u>	<u>Totals</u>
	<u>Town Center</u>	<u>Yolo Street/ Heiken Way</u>	<u>New Haven Court</u>	<u>Management and General</u>	
Management fees	\$ 18,434	\$ 2,371	\$ -	\$ 1,095	\$ 21,900
Supplies	7,343	679	-	422	8,444
Water	5,264	1,807	-	372	7,443
Electricity	8,204	27	-	433	8,664
Gas	152	364	-	27	543
Garbage	7,996	1,336	-	491	9,823
Sewer	13,528	2,657	-	852	17,037
Office expense	2,386	177	19	136	2,718
Outside services	81,226	15,190	428	5,096	101,940
Collection losses	2,902	1,226	-	218	4,346
Insurance	5,828	840	-	351	7,019
Taxes	1,794	529	1,520	202	4,045
Interest expense	56,914	-	-	2,995	59,909
Depreciation	91,854	7,211	-	5,213	104,278
	<u>\$ 303,825</u>	<u>\$ 34,414</u>	<u>\$ 1,967</u>	<u>\$ 17,903</u>	<u>\$ 358,109</u>

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

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Statement of Cash Flows
For the Year Ended March 31, 2021

	Totals
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ (92,088)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	104,278
Partnership revenue (expense)	37
Interest expense	59,909
(Increase) decrease in operating assets:	
Accounts receivable	3,377
Prepaid expenses	5,873
Increase (decrease) in operating liabilities:	
Accounts payable	(13,748)
Due to Regional Housing Authority	(4,246)
Security deposits	908
Prepaid tenant rent	(8)
Net Cash Provided (Used) by Operating Activities	64,292
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of property and equipment	(15,780)
Net Cash Provided (Used) by Capital and Related Financing Activities	(15,780)
Net Increase (Decrease) in Cash and Cash Equivalents	48,512
Beginning Cash and Cash Equivalents	204,358
Ending Cash and Cash Equivalents	\$ 252,870

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

Financial Statements

- **Notes to Financial Statements**

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SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended March 31, 2021

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, elderly and handicapped persons who cannot afford decent, safe, and sanitary housing.

B. Income Tax

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization 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 Organization believes that it has not taken a tax position that, if challenged, would have a material effect on the financial statements.

The Organization files Form 990 in the federal jurisdiction within the United States and Form 199 in the State of California. At March 31, 2021, the Organization's federal tax returns related to the years ended March 31, 2019 through March 31, 2021 remain open to possible examination by tax authorities, and the Organization's State tax returns related to the years March 31, 2018 through March 31, 2021 remain open to examination by tax authorities. No tax returns are currently under examination by any tax authorities. The Organization has not incurred any penalties or interest under FASB ASC Topic No. 740.

C. Basis of Accounting

The operations of the Organization are organized into funds, each of which is considered to be a separate accounting entity. The three funds of the Organization 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 Organization 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 Organization 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 Organization 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 Organization)
Notes to Basic Financial Statements
For the Year Ended March 31, 2021

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 Organization does not have any net assets with donor restrictions.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization 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 \$201,127 and in Yolo Street/Heiken Way for maintenance reserve and security deposits of \$42,125 at March 31, 2021.

G. Accounts Receivable

Accounts receivable at March 31, 2021, consisted primarily of tenant dwelling rents. Management considers all amounts to be collectible and therefore has established no allowance for uncollectible accounts.

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. Prepaid Expenses

Portions of the expenses paid that are applicable to the subsequent fiscal year have been recorded as prepaid expenses.

J. Property and Equipment

The Organization 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

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended March 31, 2021

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

K. 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.

L. 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.

M. 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 Organization had total deficit net assets of \$2,256,029 as of March 31, 2021.

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 Organization 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, 2021, cash and cash equivalents consisted of the following:

Deposits in banks	\$ 252,845
Petty cash	<u>25</u>
Total Cash and Cash Equivalents	<u>\$ 252,870</u>

At March 31, 2021, the Organization 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 Organization 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 FDIC coverage.

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended March 31, 2021

NOTE 4: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Cash and cash equivalents	\$ 252,870
Accounts receivable	<u>239</u>
Total	<u>\$ 253,109</u>

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consist of March dwelling rents and rent subsidies. The balance at March 31, 2021 was \$239 and all material amounts are considered ultimately collectible, therefore no allowance for doubtful accounts was considered necessary. Of the \$239 balance, \$120 was over 90 days old.

NOTE 6: PROPERTY AND EQUIPMENT

Following is a summary of property and equipment as of March 31, 2021:

Land	\$ 45,061
Buildings	2,414,271
Leasehold improvements	402,970
Furniture and equipment	<u>6,320</u>
Total	2,868,622
Less: accumulated depreciation	(1,856,501)
Property and Equipment, Net of Accumulated Depreciation	<u>\$ 1,012,121</u>

Depreciation expense for the year ended March 31, 2021 was \$104,278.

NOTE 7: LOANS PAYABLE

A summary of loans payable at March 31, 2021, 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, 2020 was \$891,845.	\$ 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, 2020 was \$445,066.	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 Organization)
Notes to Basic Financial Statements
For the Year Ended March 31, 2021

NOTE 7: LOANS PAYABLE (CONTINUED)

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

Fiscal Year Ended <u>March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 59,909	\$ 59,909
2023	-	59,909	59,909
2024	-	59,909	59,909
2025	-	59,909	59,909
2026	-	59,909	59,909
2027-2031	-	299,543	299,543
2032-2036	-	299,543	299,543
2037-2041	-	299,543	299,543
2042-2046	-	299,543	299,543
2047-2051	-	299,543	299,543
2052-2056	<u>2,156,956</u>	<u>179,726</u>	<u>2,336,682</u>
Total	<u>\$ 2,156,956</u>	<u>\$ 1,976,986</u>	<u>\$ 4,133,942</u>

Total accrued interest on these loans as of March 31, 2021 was \$1,336,911.

NOTE 8: RELATED PARTY TRANSACTIONS

The financial accounting of the Organization 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, 2021 was \$86,252.

NOTE 9: RISK MANAGEMENT

The Organization 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 Organization is covered by the Regional Housing Authority risk management for errors and omissions. The Organization 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, 2021 through August 18, 2021, 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 Organization is a general partner in Maple Park Phase I, L.P. and Live Oak Pacific Associates. The Organization'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, 2020 was (\$138), and the investment in Live Oak Pacific Associates at March 31, 2020 was (\$164).

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

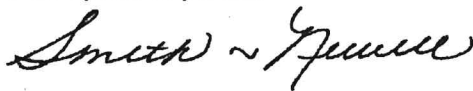
To the Board of Directors
Sutter Community Affordable Housing
Yuba City, California

In planning and performing our audit of the financial statements of Sutter Community Affordable Housing, (a California nonprofit Organization) as of and for the year ended March 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. (2021-001)

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
August 18, 2021

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SUTTER COMMUNITY AFFORDABLE HOUSING
Appendix A: Management Letter Comments
For the Fiscal Year Ended March 31, 2021

CURRENT YEAR FINDING AND RECOMMENDATION

2021-001 Operating Deficit (Significant Deficiency)

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.

Condition

At the time of our audit we noted that Sutter Community Affordable Housing (Organization) continued to have expenses in excess of revenues. Although the Organization 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, 2021, the total deficit in net assets was \$2,256,029.

Cause

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

Effect

The Organization continues to reflect a deficit in net assets.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

This is a repeat of prior year finding 2020-001.

Recommendation

We recommend that the Organization 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.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

SUTTER COMMUNITY AFFORDABLE HOUSING
Appendix B: Status of Prior Year Recommendations
For the Fiscal Year Ended March 31, 2021

STATUS OF PRIOR YEAR RECOMMENDATION

2020-001 Operating Deficit

Prior Year Recommendation

We recommend that the Organization 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, 2021

Finding 2021-001 Operating Deficit (Significant Deficiency)

We recommend that the Organization 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.

Management’s Response: Management does not agree with this finding. A common attribute of the affordable housing industry are projects that cannot meet their large capital needs and need resyndication of debt every 30-50 years. This includes “soft loans” with deferred principal and interest payments until the next infusion of cash. Currently, the projects’ monthly operating revenues are more than monthly operating expenses with reserves sufficient for capital improvements.

Responsible Individual: Marco A. Cruz, Chief Financial Officer

Corrective Action Plan: The nonprofit will conduct a long-term forecast of capital needs and future loan payback schedules to ensure that annual cash flows are sufficient for future operations. A five-year trend analysis shows that SCAH has been able to increase revenues without a proportional increase in expenses. Cash reserves have increased correspondingly.

Anticipated Completion Date: March 31, 2025

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SUTTER COMMUNITY AFFORDABLE HOUSING

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

RESOLUTION 21-46

RESOLUTION, WAIVER OF NOTICE AND UNANIMOUS CONSENT TO ACTION

The Board of Directors of Sutter Community Affordable Housing (“SCAH”), who is the sole member and manager of Kristen Court III-SCAH, LLC (“Managing General Partner”), a California limited liability company, by this writing approves the following resolutions and consent to their adoption and individually and collectively waive any right to notice of any meeting required, if any:

WHEREAS, SCAH desires to form the Managing General Partner to be the managing general partner of Live Oak III Pacific Associates, a California Limited Partnership (the “Partnership”); and

WHEREAS, the Partnership was formed for and is authorized to acquire, develop, construct and operate a 32-unit low income housing tax credit project in Live Oak, California (the "Project"); and

WHEREAS, it will be necessary for SCAH, the Partnership and the Managing General Partner to enter into numerous documents and agreements in order to facilitate the acquisition, financing, development, construction, and operation of the Project; and

WHEREAS, it will be necessary for SCAH, the Managing General Partner and the Partnership, as applicable, to enter into numerous documents and agreements in order to facilitate the property tax exemption pursuant to Section 214 of the California Revenue and Taxation Code (“Property Tax Welfare Exemption”); and

WHEREAS, it will be necessary for Managing General Partner and SCAH, as applicable, to execute such documents and enter into such agreements on behalf of itself, the Partnership and Managing General Partner, including agreements relating to the construction of the Project.

NOW THEREFORE, IT IS HEREBY RESOLVED, that SCAH authorizes the formation of the Managing General Partner and for SCAH to serve as the sole member and manager of the Managing General Partner.

BE IT FURTHER RESOLVED, that SCAH on behalf of itself and on behalf of the Managing General Partner and Partnership, authorizes the Managing General Partner to serve as the managing general partner of the Partnership.

BE IT FURTHER RESOLVED, that Brynda Stranix as President or Gustavo Becerra as Secretary/Treasurer are hereby authorized to negotiate, execute and deliver the following documents on behalf of Managing General Partner and SCAH for its own account, and on behalf of the Managing General Partner and the Partnership, as applicable:

- A developer agreement with Pacific West Communities, Inc.;
- A construction contract with Pacific West Builders, Inc.;
- Construction loan documents, security interests, trust deeds, financing statements, and other documents relating to securing and closing a construction loan from Pacific Western Bank, or affiliate thereof in an amount not to exceed \$13,500,000 (including both taxable and tax-exempt portions) in connection with the transaction;
- Forward commitment for permanent loan, Delivery Assurance Fee Note and Deed of Trust (if applicable), and any other documents relating to an unfunded forward commitment to make a permanent loan from Pacific Western Bank, or affiliate thereof to the Partnership in an amount not to exceed \$2,000,000 in connection with the transaction;
- Any and all documents, security interests, trust deeds, financing statements, grants and other documents relating to securing and closing all subordinate loans from third parties and related parties;
- Execution of a First Amended and Restated Agreement of Limited Partnership Agreement admitting CREA Kristen Court III, LP and CREA SLP, LLC, or their affiliates, successors or assigns thereof as limited partners of the Partnership, and any and all amendments thereto and ancillary documents required in connection with the syndication of the tax credits generated by the Project;
- All documents related to the Property Tax Welfare Exemption; and
- Regulatory agreements, easements, ground leases or documents with local government entities, utilities and any other documents necessary to facilitate the transaction.

BE IT FURTHER RESOLVED that Brynda Stranix as President or Gustavo Becerra as Secretary/Treasurer (with or without the co-signature of any other officer of SCAH) are authorized to execute and deliver on behalf of SCAH for its own account, and on behalf of the Partnership and Managing General Partner, any and all documents related to the acquisition, construction and operation of the Project.

BE IT FURTHER RESOLVED that any and all actions taken by SCAH and the Managing General Partner, as applicable, on behalf of itself, the Managing General Partner and the Partnership in furtherance of the foregoing, including any actions prior to this resolution, are hereby authorized, ratified and approved.

This resolution is presented at a Regular Meeting of the Board of Directors, passed and adopted this 28th day of September, 2021 by the following vote:

AYES:

NAYS:

ABSTAINED:

ABSENT:

ATTEST: _____
Brynda Stranix, President

SUTTER COMMUNITY AFFORDABLE HOUSING

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

RESOLUTION 21-47

RESOLUTION OF THE BOARD OF DIRECTORS OF SUTTER COMMUNITY AFFORDABLE HOUSING

A necessary quorum and majority of the directors of Sutter Community Affordable Housing, a California non-profit public benefit corporation (the "Corporation"), hereby consent to, adopt and ratify the following resolutions:

Multifamily Housing Program

WHEREAS, the State of California Department of Housing and Community Development (the "Department") has issued a Notice of Funding Availability under its Multifamily Housing Program (the "MHP") dated January 2, 2020; and

WHEREAS, the Corporation is authorized to do business in the State of California, and it is in the best interests of the Corporation for the Corporation to act as the Sponsor and Manager of Kristen Court III-SCAH, LLC, the Managing General Partner of Live Oak Pacific Associates III, a California limited partnership (the "Borrower"); and

WHEREAS, the Borrower has either received, or been assigned, a conditional commitment of funds under the above-described Notice of Funding Availability.

NOW, THEREFORE, IT IS RESOLVED: That the Corporation is hereby authorized to act as the Sponsor and Manager of Kristen Court III-SCAH, LLC, the Managing General Partner of the Borrower in connection with the Department's loan of funds to the Borrower pursuant to the above-described Notice of Funding Availability in an amount not to exceed \$ 6,494,968 (the "MHP Loan")

RESOLVED FURTHER: That in connection with the Borrower's MHP Loan, the Corporation is authorized and directed to enter into, execute, and deliver, as the Sponsor and Manager of Kristen Court III-SCAH, LLC, the Managing General Partner of the Borrower, a State of California Standard Agreement, and any and all other documents required or deemed necessary or appropriate to carry into effect the full intent and purpose of the above resolution, in order to evidence the MHP Loan, the Borrower's obligations related thereto, and the Department's security therefore; including, but not limited to, a promissory note, a deed of trust and security agreement, a regulatory agreement, a development agreement and certain other documents required by the Department as security for, evidence of or pertaining to the MHP Loan, and all amendments thereto (collectively, the "MHP Loan Documents").

RESOLVED FURTHER: That Brynda Stranix, President, is hereby authorized to execute the MHP Loan Documents, and any amendment or modifications thereto, on behalf of the Corporation as the Sponsor and Manager of Kristen Court III-SCAH, LLC, the Managing General Partner of the Borrower.

RESOLVED FURTHER: That this resolution shall take effect immediately upon its passage and shall supersede Resolution 21-44 adopted by Sutter Community Affordable Housing on January 26, 2021.

Passed and adopted, at a regular meeting of Sutter Community Affordable Housing this 28th day of September, 2021 by the following vote:

- AYES
- ABSTAIN
- NAYS
- ABSENT
- VACANCIES

CERTIFICATE OF THE SECRETARY

The undersigned, Secretary of Sutter Community Affordable Housing does hereby attest and certify that the foregoing Resolution is a true, full and correct copy of a resolution duly adopted at a meeting of the Corporation which was duly convened and held on the date stated thereon, and that said document has not been amended, modified, repealed or rescinded since its date of adoption and is in full force and effect as of the date hereof.

DATE: _____

Gustavo Becerra, Secretary

SUTTER COMMUNITY AFFORDABLE HOUSING

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

RESOLUTION 21-48

RESOLUTION OF THE SOLE MEMBER OF KRISTEN COURT III-SCAH, LLC

Sutter Community Affordable Housing, the sole member (the "Sole Member") of Kristen Court III-SCAH, LLC, a California Limited Liability Company (the "Limited Liability Company"), hereby consents to, adopts and ratifies the following resolutions:

Multifamily Housing Program

WHEREAS, the State of California Department of Housing and Community Development (the "Department") has issued a Notice of Funding Availability under its Multifamily Housing Program (the "MHP") dated January 2, 2020; and

WHEREAS, the Limited Liability Company is authorized to do business in the State of California, and it is in the best interests of the Limited Liability Company and its Sole Member for the Limited Liability Company to act as the Managing General Partner of Live Oak Pacific Associates III, a California limited partnership (the "Borrower"); and

WHEREAS, the Borrower has either received, or been assigned, a conditional commitment of funds under the above-described Notice of Funding Availability.

NOW, THEREFORE, IT IS RESOLVED: That the Limited Liability Company is hereby authorized to act as the Managing General Partner of the Borrower in connection with the Department's loan of funds to the Borrower pursuant to the above-described Notice of Funding Availability in an amount not to exceed \$ 6,494,968 (the "MHP Loan")

RESOLVED FURTHER: That in connection with the Borrower's MHP Loan, the Limited Liability Company is authorized and directed to enter into, execute, and deliver, as the Managing General Partner of the Borrower, a State of California Standard Agreement, and any and all other documents required or deemed necessary or appropriate to carry into effect the full intent and purpose of the above resolution, in order to evidence the MHP Loan, the Borrower's obligations related thereto, and the Department's security therefore; including, but not limited to, a promissory note, a deed of trust and security agreement, a regulatory agreement, a development agreement and certain other documents required by the Department as security for, evidence of or pertaining to the MHP Loan, and all amendments thereto (collectively, the "MHP Loan Documents").

RESOLVED FURTHER: That Brynda Stranix, President, is hereby authorized to execute the MHP Loan Documents, and any amendment or modifications thereto, on behalf of the Limited Liability Company as the Managing General Partner of the Borrower.

RESOLVED FURTHER: That this resolution shall take effect immediately upon its passage.

Passed and adopted, at a regular meeting of the Sole Member of the Limited Liability Company this 28th day of September, 2021 by the following vote:

AYES
ABSTAIN
NAYS
ABSENT
VACANCIES

CERTIFICATE OF THE SECRETARY

The undersigned, Secretary of Sutter Community Affordable Housing, the Sole Member of Kristen Court III-SCAH, LLC does hereby attest and certify that the foregoing Resolution is a true, full and correct copy of a resolution duly adopted at a meeting of the Limited Liability Company which was duly convened and held on the date stated thereon, and that said document has not been amended, modified, repealed or rescinded since its date of adoption and is in full force and effect as of the date hereof.

DATE: _____

Gustavo Becerra, Secretary

**SUTTER COMMUNITY AFFORDABLE HOUSING
STAFF REPORT**

Date: September 28, 2021
To: Board of Directors
From: Marco Cruz, Chief Financial Officer

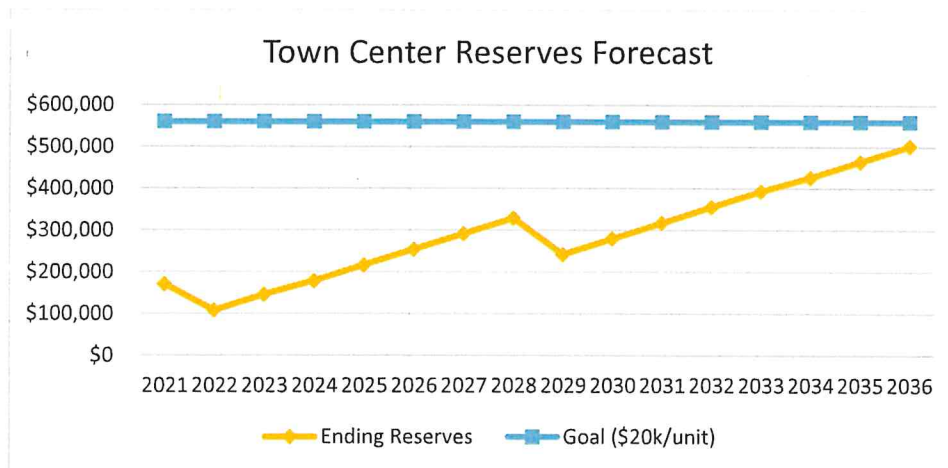
SUBJECT: 15 Year Forecast and Reserves (Informational Only)

BACKGROUND

The CFO and the Maintenance Operations Manager have recently updated Town Center Senior Manor’s 15-year capital needs assessment and its 15-year reserves goal. Considering that in fifteen years’ time Town Center will be forty years old, a reserves goal of \$20,000 per door (\$560,000 in total) is a prudent cushion to address any future capital improvements.

RESERVES FORECAST

Staff calculates that over the next fifteen years Town Center will have capital expenditures in the amount of \$299,280 which includes \$100,000 in elevator repairs in the year 2022 and exterior painting of \$120,000 in 2029. Town Center’s net operating cash flow has trended at \$50,000 per year for the last several years. If cash flow remains steady, with the above expenditures staff believes that Town Center will be slightly short of its reserves goal of \$560,000 in 2036.

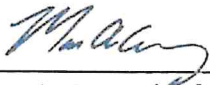


KEY TAKE AWAYS

Over the next five years staff will continue to adjust rents to the allowable HOME limits to maintain cash flow despite increasing expenses. This policy will be revisited if after five years the reserves are sufficiently

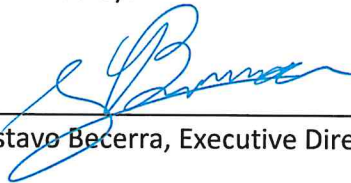
surpassing the schedule shown in the chart above. Staff will also provide the Board an annual update on the fifteen-year forecast, incorporating updates to the CNA and operating cash flows.

Prepared by:



Marco A. Cruz, Chief Financial Officer

Submitted by:



Gustavo Becerra, Executive Director