

SUTTER COMMUNITY AFFORDABLE HOUSING

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

October 18, 2016

TO:


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

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

NOTICE OF REGULAR MEETING

October 25, 2016

You are hereby notified that the Sutter Community Affordable Housing Regular Board Meeting is scheduled for **Tuesday, October 25, 2016, at 12:00 PM at Richland Neighborhood Center, 420 Miles Avenue, Yuba City, CA 95991.**



Gustavo Becerra
Secretary/Treasurer

102516boardmeeting

SUTTER COMMUNITY AFFORDABLE HOUSING

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

Tuesday, October 25, 2016
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 – May 24, 2016
5. Approval of New Board Member Brynda Stranix
6. Approval of Bid for Rehab Project at Town Center Senior Manor
7. Acceptance of Audit for FYE March 31, 2016 into Record
8. Maintenance Update on Maple Park Phase 1, Town Center and Yolo/Heiken
9. Occupancy/Eligibility Update on Maple Park Phase 1, Town Center and Yolo/Heiken
10. Director's Comments
11. Adjournment

SUTTER COMMUNITY AFFORDABLE HOUSING

Minutes

Regular Board Meeting

May 24, 2016

1. Call to Order: President Diane Hodges called the meeting to order at Richland Neighborhood Center, 420 Miles Avenue, Yuba City, CA 95991 at 12:00 PM.
2. Roll Call: Board Members present were President Diane Hodges, Members Gustavo Becerra, Richard Grant, Charles Epp and Martha Griese. Board Member Kimberly Butcher arrived later in the meeting.
3. Pledge of Allegiance: Operations Manager Tom Goodwin led the pledge of allegiance.
4. Public Participation: None
5. Approval of Minutes – October 27, 2015: Board Member Charles Epp made a motion to approve the minutes of the February 23, 2016 meeting as submitted. Board Member Martha Griese made the second. All were in favor by voice vote.
6. Election of Officers, President and Vice-President: Board Member Charles Epp made a motion to nominate Martha Griese for President. Board Member Richard Grant made the second. All were in favor by voice vote.

Board Member Martha Griese made a motion to nominate Charles Epp as Vice-President. Board Member Kimberly Butcher made the second. All were in favor by voice vote.

7. Maintenance Update on Maple Park, Town Center and Yolo/Heiken: Mr. Goodwin stated everything is going well. He said the five air conditioning units at Town Center Senior Manor have been replace.
8. Occupancy/Eligibility Update on Maple Park, Town Center and Yolo/Heiken: Occupancy Manager Pattra Runge shared there are currently two vacancies at Maple Park Phase I with two on notice to move. Staff is working on getting tenants lined up to move into those units when they are ready. She said there is one unit vacant at Town Center that another tenant will transfer to. Mrs. Runge explained the waiting list for Town Center is open and has many applicants on the list.

Mrs. Runge mentioned the Yolo/Heiken property is full. She also said she is anticipating Maple Park Phase 2 to be full by the end of the month.

9. Director's Comments: Board Member Gustavo Becerra shared the Housing Authority is currently undergoing the fiscal audit for year-end 2016. He said once that audit is done, the auditors will begin the SCAH audit. He also mentioned construction on the Kristen Court apartments is currently behind by approximately 24 days due to weather but with

no rain in the forecast the contractor is hoping to make up for some of the days in the near future.

Board Member Kimberly Butcher shared the child care center is currently enrolling children ages 3 and 4 for the upcoming school year. She also mentioned the community food service program will begin on June 6, 2016 and will be offering breakfast, lunch and snack for persons 18 years or younger and it is open to the public.

10. Adjournment: The meeting was adjourned at 12:22 PM.

NPmn05242016

SUTTER COMMUNITY AFFORDABLE HOUSING

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

BOARD OF DIRECTORS APPLICATION

Name: Brynda Stranix Home Phone: 530-713-3375 (cell)

Address: 1452 Marble Court Bus. Phone: 530-751-8555

Yuba City, CA 95993

Occupation: President/Chief Operating Officer

Employer's Name: Yuba-Sutter Economic Development Corporation

Employer's Address: 950 Tharp Road, Suite 1303, Yuba City, CA 95993

PLEASE STATE YOUR QUALIFICATIONS AND/OR REASONS FOR WISHING TO SERVE AS A BOARD MEMBER. (Use additional sheets of paper if necessary)

My reason for wishing to serve as a board member is due, in part, to my affiliation with the Sutter and Yuba Counties Community Action Agencies (currently the Executive Director of both). The agencies administer the Community Services Block Grant funds are charged with ending poverty in Sutter and Yuba counties.

I have become increasingly aware of the lack of affordable housing in the region and would like to be a part of the solution. I feel I could bring a fair number of resources to the board that would complement the work of Sutter Community Affordable Housing.

Please find my attached resume regarding qualifications.

The Board of Directors meets every fourth Tuesday of each month. The meetings last no longer than two hours.

If appointed, will you be able to attend meetings regularly and devote the time necessary to fulfill your duties as a Board Member? YES NO

Please attach a brief resume of experience and qualifications that will assist in evaluating your application.



Brynda Stranix, President/Chief Operating Officer

Brynda Stranix is president/chief operating officer of Yuba-Sutter Economic Development Corporation. She joined YSEDC in 2001 as administrative services manager with the experience of 22 years in administrative management and accounting, and public relations. As administrative services manager she provided leadership, project management and coordination, streamlining many of the corporation's daily functions. She continues to oversee the budgetary, contractual and personnel issues associated with the operation of the corporation and works with the local business community to identify ways to assist existing businesses in improving and expanding their operations.

She was promoted to president in 2010 with primary functions of planning, organizing, directing and overseeing the management of the corporation and is the liaison between YSEDC and both public and private sector community leaders establishing and maintaining working relationships. She also serves as secretary on the corporation's board of directors and as district director for Yuba-Sutter Economic Development District.

Prior to 2001 she co-owned a Yuba City-based public relations/advertising agency specializing in large-scale community event management, graphic design and provided national advertising management to a number of businesses throughout the Yuba-Sutter region.

She was born and raised in Yuba City and takes great pride in her community and is an active participant in all events, fundraising efforts and creative endeavors. Her commitment to ongoing education and specialized training keeps her current on trends and activities of the industry.

Current Officer Roles

President/Chief Operating Officer, Yuba-Sutter Economic Development Corporation
Board Secretary, Yuba-Sutter Economic Development Corporation
US Department of Commerce, District Director, Yuba-Sutter Economic Development District
Executive Director, Sutter County Community Action Agency
Executive Director, Yuba County Community Action Agency
Honorary Commander, 9th Mission Support Group, Beale Air Force Base
Chairman, Yuba-Sutter Business Consortium
Chairman, Yuba-Sutter Chamber of Commerce Economic Development Committee
Treasurer, Yuba-Sutter Healthcare Council
Treasurer, Marysville Kiwanis Club - 2014 Kiwanian of the Year
Treasurer, Upstate California Economic Development Council
Secretary, California Finance Consortium

Additional Boards and Committees

Board member, Yuba-Sutter Chamber of Commerce
Founding Board member – California Finance Consortium
Board member, North Valley Workforce Alliance
Board member, North Central Counties Consortium Workforce Development Board
Member, Congressman John Garamendi's Women's Advisory Board
Member, Yuba College Business Advisory Committee
Member, Yuba City Unified School District Career Technical Education Advisory Committee
Member, Yuba-Sutter Chamber of Commerce Government Affairs Committee
Member, Yuba County Economic Development Advisory Committee
Member, Cambridge Junior College Advisory Committee
Member, Yuba-Sutter Chamber of Commerce Finance Committee
Member, Yuba-Sutter Chamber of Commerce Tourism Committee

Member, Yuba-Sutter Farm Bureau
Member, National Association of Development Organizations (NADO)
Member, Beale Military Liaison Committee (BMLC)
Member, California Association for Local Economic Development (CALED)
Member, International Economic Development Council (IEDC)
Member, Greater Sacramento Economic Development Council
Founding board member, Yuba-Sutter Manufacturer's Association
Founding board member, Yuba-Sutter Healthcare Council

Past Boards, Committees and Officer Roles

Past Chair, Upstate California Economic Development Council (2012-2014)
Board member, TeamCalifornia
Board member and Secretary/Treasurer, California Innovation Center
Board member, Sutter County Community Action Agency
Founding member/Marketing Chair, Twin Cities Slickers Cattle Drive
Past member/event manager, Business & Community Healthcare Partnership
Inaugural chairman, Sutter North "Swing into Health" Golf Classic
Member, Sacramento Area Commerce and Trade Organization (SACTO)
Member, Sacramento Area Commerce and Trade Organization Marketing Committee

Continuing Education

Certification - Business Expansion and Retention, International Economic Development Council
Certification – Business Attraction, International Economic Development Council
Certification – Credit Analysis, International Economic Development Council
Certification- Yuba County Executive Leadership Development Program
Credential - CSAC Institute for Excellence in County Government, California Credentialed County Senior Executive

SUTTER COMMUNITY AFFORDABLE HOUSING

STAFF REPORT

Date: October 25, 2016
To: Board of Directors
From: Gustavo Becerra, Regional Housing Authority Executive Director

SUBJECT: Rehabilitation Project – Town Center Senior Manor Apartments – 506 Plumas Street, Yuba City, CA 95991

RECOMMENDATION: Award contract to California Window Industries for the interior and exterior improvements to be performed at 506 Plumas Street, Yuba City, CA 95991

FISCAL IMPACT: \$78,950.00 in replacement reserve funds

Background

The Town Center Senior Manor Apartments are a 28 unit apartment complex located in Yuba City, CA. The property was developed by the Housing Authority in 1998 as a new construction project. The financing for the rehab project is being funded by existing replacement reserves.

The project scope of work will consist of new floor coverings in 5 units, replacement of 5 refrigerators and 5 ranges, updating HVAC equipment in 5 units, replacement of 7 hot water heaters, removal of 6 problem trees along the north fence, and the resurfacing and restriping of parking area.

Staff's in-house cost estimate for the project scope of work totaled \$74,085.51.

Three General Contractors and sub-contractors signed out bid documents and plans/specifications. The pre-bid project walk-through was conducted on September 27, 2016 with bids due to the Housing Authority on October 11, 2016. Three General Contractors submitted the following bids:

Bids Submitted:

| | |
|--|--------------|
| California Window Industries (Yuba City, CA) | \$78,950.00 |
| Hignell Inc. – Experts in Your Home (Chico, CA) | \$94,228.61 |
| Fletcher's Plumbing & Contracting Inc. (Yuba City, CA) | \$106,000.00 |

The above bids do not include the payment of federal Davis-Bacon wage rates, or the State prevailing wage rates. The funding source does not trigger prevailing wages.

Recommendation:


Staff recommends that the Board of Directors of the Sutter Community Affordable Housing approve the bid from California Window Industries in the amount of \$78,950.00 for the interior and exterior improvements planned for the Town Center Senior Manor Apartments located at 506 Plumas Street in Yuba City, CA, and authorize the Executive Director to execute the construction contract and all required documents.

Prepared by:



Larry Tinker
Senior Development & Rehab Specialist
Regional Housing Authority

Submitted by:



Gustavo Becerra
Executive Director
Regional Housing Authority

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

RECEIVED

AUG 22 2016

RHSNC

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, 2016, and have issued our report thereon dated August 8, 2016. 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, 2016. 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. Items identified as material weaknesses and 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.

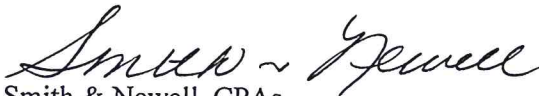
OTHER MATTERS

We were engaged to report on the schedule of functional expenses which accompanies the financial statements. With respect to this supplementary information, 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.

We were not engaged to report on the introductory section, which accompanies the financial statements. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

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.

A handwritten signature in cursive script that reads "Smith & Newell".

Smith & Newell, CPAs
Yuba City, California
August 8, 2016

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

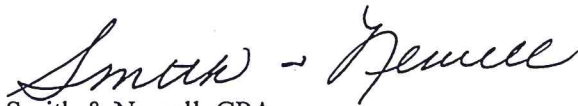
In planning and performing our audit of the financial statements of Sutter Community Affordable Housing, (Corporation) as of and for the year ended March 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control 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. We consider the deficiency describes the attached appendix to be a material weakness (2016-001).

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 (2016-002).

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 8, 2016

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SUTTER COMMUNITY AFFORDABLE HOUSING
Appendix A: Management Letter Comments
For the Fiscal Year Ended March 31, 2016

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2016-001 Prior Period Adjustments (Material Weakness)

Condition

The Corporation recorded prior period adjustments to correct a prior year understatement of capital assets.

Cause

During the current year, the Corporation analyzed the purchase of the Yolo Street building and determined that a portion of the acquisition cost should be allocated to land. This resulted in an adjustment of prior year accumulated depreciation.

Criteria

Good internal control over capital assets requires that an accurate current detail listing of capital assets be maintained.

Effect of Condition

The financial statements as presented to us contained material misstatements and required adjustment.

Recommendation

We recommend that capital asset acquisitions be identified and properly capitalized and depreciated.

Management Response

The transfer of a portion of the acquisition cost to land is complete. No further action is required.

2016-002 Operating Deficit (Significant Deficiency)

Condition

At the time of our audit we noted that Sutter Community Affordable Housing 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, 2016, the total deficit in net assets in the Town Center fund was \$1,730,268. This is a repeat of a prior year finding.

Cause

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

SUTTER COMMUNITY AFFORDABLE HOUSING
Appendix A: Management Letter Comments
For the Fiscal Year Ended March 31, 2016

2016-002 Operating Deficit (Significant Deficiency) (Continued)

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 continues to reflect a deficit in net assets.

Recommendation

We recommend that Sutter Community Affordable Housing 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 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. At an interest rate of 3% per year, principal and accrued interest are due and payable at 55 years (03/25/2043); or Event of Default. This type of financing is typical and common in affordable housing projects, and more commonly known as "soft debt", which does not require a debt service.
- Loan #2 - \$1,400,000 RDA Promissory Note. Same repayment terms as Loan #1.

Yolo Heiken

- Grant #1 - \$100,000 AHP Promissory Note with the City of Yuba City. Zero interest and forgivable in 15 years (11/19/2013). This Note has now been forgiven.
- Grant #2 - \$160,000 City of Yuba City Promissory Note. Zero interest and forgivable in 55 years (07/24/2058).

Interest for the Town Center Senior Manor Loans accrue annually in accordance with the above agreements, but is not included in yearly budgets or used to reduce yearly revenue.

Not only accrued interest, but GASB requirements that mandate the recording of compensated absences, depreciation and OPEB's, reduce yearly revenue and show initial deficit spending. However, if revenue is compared solely to actual yearly expenses (minus accrued interest and GASB requirements), both projects have positive residual receipts which are then deposited into interest bearing accounts for future maintenance and capital needs. Since these are low-income projects with revenue being at a premium, this audit comment will continue on future audits as long as accrued interest and GASB entries are required in the income statement.

SUTTER COMMUNITY AFFORDABLE HOUSING
Appendix A: Management Letter Comments
For the Fiscal Year Ended March 31, 2016

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

In Progress

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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, 2016**

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SUTTER COMMUNITY AFFORDABLE HOUSING
Annual Financial Report
For the Year Ended March 31, 2016

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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, 2016

Diane Hodges. President
Martha Griese Vice-President
Gustavo Becerra Secretary/Treasurer
Charles Epp Member
Kimberly Butcher 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

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, 2016, 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 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.

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

Opinion

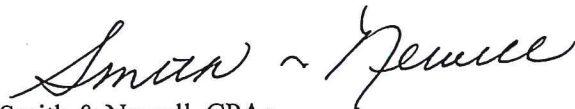
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sutter Community Affordable Housing as of March 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2A to the basic financial statements, errors were detected in prior year net assets. The correction of these errors resulted in the restatement of beginning net assets for the year ended March 31, 2016. Our opinion is not modified with respect to these matters.

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.



Smith & Newell, CPAs
Yuba City, California
August 8, 2016

Basic Financial Statements

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SUTTER COMMUNITY AFFORDABLE HOUSING
Statement of Financial Position
March 31, 2016

| | Town Center | Yolo Street/ Heiken Way | Total |
|---|------------------------|------------------------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and deposits | \$ 272,206 | \$ 29,468 | \$ 301,674 |
| Imprest cash | 25 | - | 25 |
| Accounts receivable | 60 | 39 | 99 |
| Investment in partnership | (68) | - | (68) |
| Total Current Assets | 272,223 | 29,507 | 301,730 |
| Capital Assets | | | |
| Land | - | 45,061 | 45,061 |
| Buildings | 2,279,088 | 135,183 | 2,414,271 |
| Leasehold improvements | 96,321 | 21,757 | 118,078 |
| Furniture and equipment | 6,320 | - | 6,320 |
| Accumulated depreciation | (1,307,541) | (65,261) | (1,372,802) |
| Total Capital Assets, Net | 1,074,188 | 136,740 | 1,210,928 |
| Total Assets | \$ 1,346,411 | \$ 166,247 | \$ 1,512,658 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 22,332 | \$ 621 | \$ 22,953 |
| Due to RHASNC | 6,506 | 1,735 | 8,241 |
| Security deposits | 12,351 | 1,797 | 14,148 |
| Prepaid tenant rent | 1,166 | 40 | 1,206 |
| Total Current Liabilities | 42,355 | 4,193 | 46,548 |
| Noncurrent Liabilities | | | |
| Accrued interest payable | 1,037,368 | - | 1,037,368 |
| 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 | 3,034,324 | 160,000 | 3,194,324 |
| Total Liabilities | 3,076,679 | 164,193 | 3,240,872 |
| NET ASSETS | | | |
| Unrestricted | (1,730,268) | 2,054 | (1,728,214) |
| Total Net Assets | (1,730,268) | 2,054 | (1,728,214) |
| Total Liabilities and Net Assets | \$ 1,346,411 | \$ 166,247 | \$ 1,512,658 |

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, 2016

| | <u>Town Center</u> | <u>Yolo Street/ Heiken Way</u> | <u>Total</u> |
|---|------------------------|------------------------------------|-----------------------|
| OPERATING REVENUES AND OTHER SUPPORT | | | |
| Dwelling rents | \$ 183,013 | \$ 43,134 | \$ 226,147 |
| Other income | 3,691 | 491 | 4,182 |
| Total Operating Revenues and Other Support | <u>186,704</u> | <u>43,625</u> | <u>230,329</u> |
| OPERATING EXPENSES | | | |
| Management fees | 15,501 | 1,992 | 17,493 |
| Supplies | 5,568 | 824 | 6,392 |
| Water | 4,952 | 942 | 5,894 |
| Electricity | 8,805 | - | 8,805 |
| Gas | 223 | 712 | 935 |
| Garbage | 4,546 | 1,299 | 5,845 |
| Sewer | 9,882 | 1,954 | 11,836 |
| Office expense | 2,934 | 272 | 3,206 |
| Outside services | 75,834 | 16,231 | 92,065 |
| Insurance | 4,121 | 589 | 4,710 |
| Taxes | 1,213 | 557 | 1,770 |
| Collection losses | - | 378 | 378 |
| Miscellaneous | 1,792 | 256 | 2,048 |
| Depreciation | 82,826 | 5,594 | 88,420 |
| Total Operating Expenses | <u>218,197</u> | <u>31,600</u> | <u>249,797</u> |
| Operating Income (Loss) | <u>(31,493)</u> | <u>12,025</u> | <u>(19,468)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest revenue | 118 | 13 | 131 |
| Partnership revenue (expense) | (68) | - | (68) |
| Interest expense | (59,909) | - | (59,909) |
| Total Non-Operating Revenues (Expenses) | <u>(59,859)</u> | <u>13</u> | <u>(59,846)</u> |
| Change in Net Assets | <u>(91,352)</u> | <u>12,038</u> | <u>(79,314)</u> |
| Total Net Assets - Beginning | (1,638,916) | (29,510) | (1,668,426) |
| Prior period adjustment | - | 19,526 | 19,526 |
| Total Net Assets - Beginning, Restated | <u>(1,638,916)</u> | <u>(9,984)</u> | <u>(1,648,900)</u> |
| Total Net Assets - Ending | <u>\$ (1,730,268)</u> | <u>\$ 2,054</u> | <u>\$ (1,728,214)</u> |

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, 2016

| | Town Center | Yolo Street/ Heiken Way | Total |
|--|------------------------|------------------------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 186,947 | \$ 43,248 | \$ 230,195 |
| Payments to suppliers for goods and services | (120,371) | (24,517) | (144,888) |
| Net Cash Provided (Used) by Operating Activities | 66,576 | 18,731 | 85,307 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (19,975) | - | (19,975) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (19,975) | - | (19,975) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest | 118 | 12 | 130 |
| Net Cash Provided (Used) by Investing Activities | 118 | 12 | 130 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 46,719 | 18,743 | 65,462 |
| Balances - Beginning | 225,512 | 10,725 | 236,237 |
| Balances - Ending | \$ 272,231 | \$ 29,468 | \$ 301,699 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (31,493) | \$ 12,025 | \$ (19,468) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 82,826 | 5,594 | 88,420 |
| Decrease (increase) in: | | | |
| Accounts receivable | 73 | (39) | 34 |
| Increase (decrease) in: | | | |
| Accounts payable | 12,636 | 190 | 12,826 |
| Due to RHASNC | 2,364 | 1,299 | 3,663 |
| Security deposits | 336 | - | 336 |
| Prepaid tenant rent | (166) | (338) | (504) |
| Net Cash Provided (Used) by Operating Activities | \$ 66,576 | \$ 18,731 | \$ 85,307 |

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

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Basic Financial Statements

- **Notes to Basic Financial Statements**

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SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

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 Taxes

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, 2016, the Corporation's tax returns related to the years ended March 31, 2013, through March 31, 2015 remain open to possible 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. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred. Contributions are recognized as revenue when they are unconditionally committed.

D. 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.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Presentation (Continued)

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.

E. Cash and Deposits

Cash and deposits held by the Corporation at March 31, 2016, 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 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.

F. 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.

G. Accounts Receivable

Accounts receivable at March 31, 2016, 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. 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:

| | |
|-------------------------|------------|
| 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.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 a capital asset, they are capitalized and depreciated according to the capital asset policy.

L. 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: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Restatement of Net Assets

Adjustments resulting from errors are treated as adjustments to prior periods. Accordingly, the Corporation reports these changes as restatements of beginning net assets. During the current year an adjustment to net assets was required in the Yolo Street/Heiken Way fund to correct amounts for land incorrectly recorded and depreciated as buildings.

The impact of the restatements on the financial statements as previously reported is presented below:

| | <u>Yolo Street/ Heiken Way</u> |
|--|------------------------------------|
| Net Assets, March 31, 2015, as previously reported | (\$ 29,510) |
| Adjustment associated with: | |
| Correction of accumulated depreciation | <u>19,526</u> |
| Total Adjustments | <u>19,526</u> |
| Net Assets, April 1, 2016, as restated | <u><u>(\$ 9,984)</u></u> |

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2016

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Deficit Net Assets

The Corporation had deficit net assets in the following individual funds as of March 31, 2016:

| | |
|-------------|--------------|
| Town Center | \$ 1,730,268 |
|-------------|--------------|

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 DEPOSITS

A. Financial Statement Presentation

As of March 31, 2016, cash and deposits consisted of the following:

| | |
|-------------------|--------------------------|
| Deposits in banks | \$ 301,674 |
| Imprest cash | <u>25</u> |
| Total Cash | <u><u>\$ 301,699</u></u> |

B. Cash

At year end, the carrying amount of the Corporation's cash deposits in banks was \$301,674 and the bank balance was \$305,708. 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, 2016 was \$99 and all material amounts are considered ultimately collectible therefore no allowance for doubtful accounts was considered necessary. Of the \$99 balance, all of it was over 90 days old.

NOTE 5: CAPITAL ASSETS

A summary of capital assets at March 31, 2016 follows:

| | Balance <u>March 31, 2016</u> |
|---------------------------|----------------------------------|
| Land | \$ 45,061 |
| Buildings | 2,414,271 |
| Leasehold improvements | 118,078 |
| Furniture and equipment | <u>6,320</u> |
| Total | 2,583,730 |
| Accumulated Depreciation | (<u>1,372,802</u>) |
| Total Capital Assets, Net | <u><u>\$ 1,210,928</u></u> |

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2016

NOTE 6: LOANS PAYABLE

A summary of loans payable at March 31, 2016 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, 2016 was \$693,307. | \$ 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, 2016 was \$344,061. | 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> |

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

| Fiscal Year Ended March 31 | Principal | Interest | Total |
|-------------------------------|---------------------|---------------------|---------------------|
| 2017 | \$ - | \$ 59,909 | \$ 59,909 |
| 2018 | - | 59,909 | 59,909 |
| 2019 | - | 59,909 | 59,909 |
| 2020 | - | 59,909 | 59,909 |
| 2021 | - | 59,909 | 59,909 |
| 2022-2026 | - | 299,543 | 299,543 |
| 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>\$ 2,276,529</u> | <u>\$ 4,433,485</u> |

Total accrued interest on these loans as of March 31, 2016 was \$1,037,368.

NOTE 7: RELATED PARTY TRANSACTIONS

The financial accounting of the Corporation is maintained by the Regional Housing Authority of Sutter and Nevada Counties (RHASNC). In addition, the land on which the Town Center apartments are located is leased for a period of 55 years from RHASNC for one dollar a year. The total amount paid to the RHASNC for the year ended March 31, 2016 was \$79,330.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2016

NOTE 8: 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 9: OTHER INFORMATION

A. Subsequent Events

Management has evaluated events subsequent to March 31, 2016 through August 8, 2016, 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 limited partner in Maple Park I, L.P. The Corporation's share of profit, loss, and capital is 0.003%. The investment in Maple Park I, L.P., at March 31, 2016 was (\$68).

Supplementary Information

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SUTTER COMMUNITY AFFORDABLE HOUSING
Schedule of Functional Expenses
For the Year Ended March 31, 2016

| | <u>Program Services</u> | <u>Town Center Management and General</u> | <u>Total</u> |
|---------------------------------|-----------------------------|---|-------------------|
| OPERATING EXPENSES | | | |
| Management fees | \$ 14,726 | \$ 775 | \$ 15,501 |
| Supplies | 5,290 | 278 | 5,568 |
| Water | 4,704 | 248 | 4,952 |
| Electricity | 8,365 | 440 | 8,805 |
| Gas | 212 | 11 | 223 |
| Garbage | 4,319 | 227 | 4,546 |
| Sewer | 9,388 | 494 | 9,882 |
| Office expense | 2,787 | 147 | 2,934 |
| Outside services | 72,042 | 3,792 | 75,834 |
| Insurance | 3,915 | 206 | 4,121 |
| Taxes | 1,152 | 61 | 1,213 |
| Collection losses | - | - | - |
| Miscellaneous | 1,702 | 90 | 1,792 |
| Depreciation | 78,685 | 4,141 | 82,826 |
| Total Operating Expenses | <u>\$ 207,287</u> | <u>\$ 10,910</u> | <u>\$ 218,197</u> |

| Yolo Street/Heiken Way | | | Total | | |
|------------------------|------------------------|------------------|-------------------|------------------------|-------------------|
| Program Services | Management and General | Total | Program Services | Management and General | Total |
| \$ 1,892 | \$ 100 | \$ 1,992 | \$ 16,618 | \$ 875 | \$ 17,493 |
| 783 | 41 | 824 | 6,073 | 319 | 6,392 |
| 895 | 47 | 942 | 5,599 | 295 | 5,894 |
| - | - | - | 8,365 | 440 | 8,805 |
| 676 | 36 | 712 | 888 | 47 | 935 |
| 1,234 | 65 | 1,299 | 5,553 | 292 | 5,845 |
| 1,856 | 98 | 1,954 | 11,244 | 592 | 11,836 |
| 258 | 14 | 272 | 3,045 | 161 | 3,206 |
| 15,419 | 812 | 16,231 | 87,461 | 4,604 | 92,065 |
| 560 | 29 | 589 | 4,475 | 235 | 4,710 |
| 529 | 28 | 557 | 1,681 | 89 | 1,770 |
| 359 | 19 | 378 | 359 | 19 | 378 |
| 243 | 13 | 256 | 1,945 | 103 | 2,048 |
| 5,314 | 280 | 5,594 | 83,999 | 4,421 | 88,420 |
| <u>\$ 30,018</u> | <u>\$ 1,582</u> | <u>\$ 31,600</u> | <u>\$ 237,305</u> | <u>\$ 12,492</u> | <u>\$ 249,797</u> |

SUTTER COMMUNITY AFFORDABLE HOUSING
Note to Schedule of Functional Expenses
For the Year Ended March 31, 2016

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.