

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
MARCH 31, 2017**

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SUTTER COMMUNITY AFFORDABLE HOUSING
Annual Financial Report
For the Year Ended March 31, 2017

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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, 2017

Martha Griese. President
Gustavo Becerra. Secretary/Treasurer
Diane Hodges. Member
Charles Epp. Member
Kimberly Butcher. Member
Richard Grant. Member
Brynda Stranix. 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, 2017, 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, 2017, 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.

Report on Supplementary Information

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
July 31, 2017

Basic Financial Statements

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SUTTER COMMUNITY AFFORDABLE HOUSING
Statement of Financial Position
March 31, 2017

	Town Center	Yolo Street/ Heiken Way	Total
ASSETS			
Current Assets			
Cash and deposits	\$ 212,155	\$ 40,142	\$ 252,297
Imprest cash	25	-	25
Accounts receivable	250	-	250
Investment in partnership	(89)	-	(89)
	212,341	40,142	252,483
Total Current Assets			
Capital Assets			
Land	-	45,061	45,061
Buildings	2,279,088	135,183	2,414,271
Leasehold improvements	171,441	21,757	193,198
Furniture and equipment	6,320	-	6,320
Accumulated depreciation	(1,392,181)	(70,855)	(1,463,036)
	1,064,668	131,146	1,195,814
Total Capital Assets, Net			
Total Assets	\$ 1,277,009	\$ 171,288	\$ 1,448,297
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 8,240	\$ 463	\$ 8,703
Due to RHASNC	6,870	835	7,705
Security deposits	12,854	1,797	14,651
Prepaid tenant rent	2,250	178	2,428
	30,214	3,273	33,487
Total Current Liabilities			
Noncurrent Liabilities			
Accrued interest payable	1,097,277	-	1,097,277
Loans payable			
RDA loan	1,323,589	-	1,323,589
HOME loan	673,367	-	673,367
Yuba City loan	-	160,000	160,000
	3,094,233	160,000	3,254,233
Total Noncurrent Liabilities			
Total Liabilities	3,124,447	163,273	3,287,720
NET ASSETS			
Unrestricted	(1,847,438)	8,015	(1,839,423)
Total Net Assets	(1,847,438)	8,015	(1,839,423)
Total Liabilities and Net Assets	\$ 1,277,009	\$ 171,288	\$ 1,448,297

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, 2017

	Town Center	Yolo Street/ Heiken Way	Total
OPERATING REVENUES AND OTHER SUPPORT			
Dwelling rents	\$ 178,441	\$ 42,836	\$ 221,277
Other income	3,251	332	3,583
	181,692	43,168	224,860
OPERATING EXPENSES			
Management fees	16,276	2,092	18,368
Supplies	3,956	2,521	6,477
Water	5,058	988	6,046
Electricity	9,142	-	9,142
Gas	324	550	874
Garbage	4,616	1,319	5,935
Sewer	10,677	2,186	12,863
Office expense	2,137	296	2,433
Outside services	95,683	20,355	116,038
Insurance	4,072	582	4,654
Taxes	1,213	557	1,770
Miscellaneous	1,303	186	1,489
Depreciation	84,640	5,594	90,234
	239,097	37,226	276,323
Total Operating Expenses			
	(57,405)	5,942	(51,463)
Operating Income (Loss)			
	(57,405)	5,942	(51,463)
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	165	19	184
Partnership revenue (expense)	(21)	-	(21)
Interest expense	(59,909)	-	(59,909)
	(59,765)	19	(59,746)
Total Non-Operating Revenues (Expenses)			
	(59,765)	19	(59,746)
Change in Net Assets			
	(117,170)	5,961	(111,209)
Total Net Assets - Beginning			
	(1,730,268)	2,054	(1,728,214)
Total Net Assets - Ending			
	\$ (1,847,438)	\$ 8,015	\$ (1,839,423)

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, 2017

	Town Center	Yolo Street/ Heiken Way	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 183,089	\$ 43,345	\$ 226,434
Payments to suppliers for goods and services	(168,185)	(32,690)	(200,875)
Net Cash Provided (Used) by Operating Activities	<u>14,904</u>	<u>10,655</u>	<u>25,559</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(75,120)	-	(75,120)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(75,120)</u>	<u>-</u>	<u>(75,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	165	19	184
Net Cash Provided (Used) by Investing Activities	<u>165</u>	<u>19</u>	<u>184</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(60,051)	10,674	(49,377)
Balances - Beginning	<u>272,231</u>	<u>29,468</u>	<u>301,699</u>
Balances - Ending	<u>\$ 212,180</u>	<u>\$ 40,142</u>	<u>\$ 252,322</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (57,405)	\$ 5,942	\$ (51,463)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	84,640	5,594	90,234
Decrease (increase) in:			
Accounts receivable	(190)	39	(151)
Increase (decrease) in:			
Accounts payable	(14,092)	(158)	(14,250)
Due to RHASNC	364	(900)	(536)
Security deposits	503	-	503
Prepaid tenant rent	1,084	138	1,222
Net Cash Provided (Used) by Operating Activities	<u>\$ 14,904</u>	<u>\$ 10,655</u>	<u>\$ 25,559</u>

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, 2017

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, 2017, the Corporation's federal tax returns related to the years ended March 31, 2015 through March 31, 2017 remain open to possible examination by tax authorities, and the Corporation's State tax returns related to the years March 31, 2014 through March 31, 2017 remain open to examination by tax authorities. No tax returns are currently under examination by any tax authorities. The Corporation has not incurred any penalties or interest under FASB ASC Topic No. 740.

C. Basis of Accounting

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

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

The financial statements of the Corporation have been prepared on the accrual basis of accounting. 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 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.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Presentation (Continued)

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

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

E. Cash and Deposits

Cash and deposits held by the Corporation at March 31, 2017, 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, 2017, 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. 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

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

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

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. Deficit Net Assets

The Corporation had deficit net assets in the following individual funds as of March 31, 2017:

Town Center	\$ 1,847,438
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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, 2017, cash and deposits consisted of the following:

Deposits in banks	\$ 252,297
Imprest cash	<u>25</u>
Total Cash	<u><u>\$ 252,322</u></u>

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2017

NOTE 3: CASH AND DEPOSITS (CONTINUED)

B. Cash

At year end, the carrying amount of the Corporation's cash deposits in banks was \$252,297 and the bank balance was \$254,083. 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, 2017 was \$250 and all material amounts are considered ultimately collectible therefore no allowance for doubtful accounts was considered necessary. Of the \$250 balance, none of it was over 90 days old.

NOTE 5: CAPITAL ASSETS

A summary of capital assets at March 31, 2017 follows:

	Balance March 31, 2017
Land	\$ 45,061
Buildings	2,414,271
Leasehold improvements	193,198
Furniture and equipment	6,320
Total	2,658,850
Accumulated Depreciation	(1,463,036)
Total Capital Assets, Net	\$ 1,195,814

NOTE 6: LOANS PAYABLE

A summary of loans payable at March 31, 2017 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, 2017 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, 2017 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.	160,000
Total Loans Payable	2,156,956
Less Amount Due Within One Year	-
Total Long-Term Portion Loans Payable	\$ 2,156,956

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2017

NOTE 6: LOANS PAYABLE (CONTINUED)

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

Fiscal Year Ended March 31	Principal	Interest	Total
2018	\$ -	\$ 59,909	\$ 59,909
2019	-	59,909	59,909
2020	-	59,909	59,909
2021	-	59,909	59,909
2022	-	59,909	59,909
2023-2027	-	299,543	299,543
2028-2032	-	299,543	299,543
2033-2037	-	299,543	299,543
2038-2042	-	299,543	299,543
2043-2047	-	299,543	299,543
2048-2052	-	299,543	299,543
2053-2056	<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, 2017 was \$1,097,277.

NOTE 7: RELATED PARTY TRANSACTIONS

The financial accounting of the Corporation is maintained by the Regional Housing Authority (RHA). In addition, the land on which the Town Center apartments are located is leased for a period of 55 years from RHA for one dollar a year. The total amount paid to the RHA for the year ended March 31, 2017 was \$86,039.

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 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, 2017 through July 31, 2017, 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, 2017 was (\$89).

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Supplementary Information

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SUTTER COMMUNITY AFFORDABLE HOUSING
Schedule of Functional Expenses
For the Year Ended March 31, 2017

	Program Services	Town Center Management and General	Total
OPERATING EXPENSES			
Management fees	\$ 15,462	\$ 814	\$ 16,276
Supplies	3,758	198	3,956
Water	4,805	253	5,058
Electricity	8,685	457	9,142
Gas	308	16	324
Garbage	4,385	231	4,616
Sewer	10,143	534	10,677
Office expense	2,030	107	2,137
Outside services	90,899	4,784	95,683
Insurance	3,868	204	4,072
Taxes	1,152	61	1,213
Miscellaneous	1,238	65	1,303
Depreciation	80,408	4,232	84,640
Total Operating Expenses	\$ 227,141	\$ 11,956	\$ 239,097

Yolo Street/Heiken Way			Total		
Program Services	Management and General	Total	Program Services	Management and General	Total
\$ 1,987	\$ 105	\$ 2,092	\$ 17,449	\$ 919	\$ 18,368
2,395	126	2,521	6,153	324	6,477
939	49	988	5,744	302	6,046
-	-	-	8,685	457	9,142
523	27	550	831	43	874
1,253	66	1,319	5,638	297	5,935
2,077	109	2,186	12,220	643	12,863
281	15	296	2,311	122	2,433
19,337	1,018	20,355	110,236	5,802	116,038
553	29	582	4,421	233	4,654
529	28	557	1,681	89	1,770
177	9	186	1,415	74	1,489
5,314	280	5,594	85,722	4,512	90,234
<u>\$ 35,365</u>	<u>\$ 1,861</u>	<u>\$ 37,226</u>	<u>\$ 262,506</u>	<u>\$ 13,817</u>	<u>\$ 276,323</u>

SUTTER COMMUNITY AFFORDABLE HOUSING
Note to Schedule of Functional Expenses
For the Year Ended March 31, 2017

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.