SUTTER COMMUNITY AFFORDABLE HOUSING

Financial Statements and Independent Auditors' Report

Year Ended March 31, 2023

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INDEPENDENT AUDITORS' REPORT

The Governing Body of
Sutter Community Affordable Housing

REPORT ON THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Sutter Community Affordable Housing (Corporation), which comprise the statement of financial position as of and for the year ended March 31, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Corporation as of March 31, 2023, 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.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

(1) Exercise professional judgment and maintain professional skepticism throughout the audit; (2) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements; (3) Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed; (4) Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; (5) Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's financial statements. The accompanying supplementary information is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

That information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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, that information is fairly stated in all material respects in relation to the financial statements as a whole.

Smith Marion & Co.

August 16, 2023
Redlands, CA

SUTTER COMMUNITY AFFORDABLE HOUSING

Statement of Financial Position

March 31, 2023

Assets	
Current assets	
Cash	$ 381,485
Net tenant accounts receivable	2,695
Other receivables	20,693
Investments in joint ventures and partnerships	(302)
Prepaid expenses	9,376
Total current assets	413,947
Tenant deposits held in trust	21,381
Notes and related interest receivable	893,258
Property and equipment, at cost	
Land	45,061
Building	2,826,509
Furniture, equipment, and machinery	1,838
Total acquisition costs	2,873,408
Less: accumulated depreciation	(2,060,663)
Net fixed assets	812,745
Total assets	**$ 2,141,331**

See accompanying notes.

Liabilities and net assets		
Current liabilities		
Accounts payable	$	13,465
Prepaid rent		3,318
Total current liabilities		16,783
Tenant deposits held in trust (contra)		21,381
Notes and loans payable		
Principal		2,156,956
Accrued interest payable		1,456,729
Total financing liability		3,613,685
Total liabilities		3,651,849
Net assets without donor restriction		(1,510,518)
Total Liabilities and net assets	**$**	**2,141,331**

See accompanying notes.

Income	
Net rental income	$ 304,067
Financial	72
Other	148,228
Total income	452,367
Expenses	
Administrative	53,453
Utilities	35,124
Operating and maintenance	108,331
Taxes and insurance	22,578
Financial	59,909
Tenant services	8,315
Total expenses	287,710
Profit (loss) before depreciation and amortization	164,657
Less: Depreciation and amortization	(104,190)
Profit (loss) from operations	60,467
Less: Entity expenses	-
Net income (loss)	**$ 60,467**
Net assets without donor restriction	
Beginning of year	$ (1,570,985)
Net income (loss)	60,467
End of year	**$ (1,510,518)**

See accompanying notes.

Cash flows from operating activities		
Net income (loss)	$	60,467
Adjustments to reconcile net income (loss) to net cash from (used for) operating activities:		
Depreciation		104,190
Interest accrual		59,909
Bad debt		(993)
Tax credit proceed loan		(122,937)
Changes in operating assets and liabilities:		
Accounts receivable		(22,015)
Prepaid expenses and other assets		(1,878)
Tenant security deposits		964
Accrued liabilities		4,574
Prepaid rent		1,222
Net cash from operating activities		83,503
Cash flows from investing activities		
Purchase of fixed assets		(9,268)
Net cash from investing activities		(9,268)
Net change in cash		74,235
Cash at beginning of period		328,631
Cash at End of Period	**$**	**402,866**
Reconciliation to cash on statement of financial position:		
Cash	$	381,485
Tenant deposits held in trust		21,381
Total Cash	**$**	**402,866**
Cash paid during the year for:		
Interest	$	-

See accompanying notes.

NOTE - 01 ORGANIZATION AND NATURE OF ACTIVITIES

Sutter Community Affordable Housing (the Corporation) is a not-for-profit Corporation formed in 1997, in accordance with the not-for-profit statutes of the state of California. The Corporation was formed for the purpose of providing housing for low income families and elderly and handicapped persons who cannot afford decent, safe, and sanitary housing, by constructing, rehabilitation, owning, and operating housing units, and the sale or rental of the same to poor, underprivileged, handicapped and elderly, in conjunction with the state and federal low income housing programs, and to provide related facilities and services especially designed to meet the physical, social and psychological needs of said families and persons which will contribute to their health, security, happiness, and usefulness, and to thereby, inter alia, ameliorate the existing housing shortage, provide relief for the poor, distressed and underprivileged, lessen the burdens of the government, and combat community deterioration and juvenile delinquency.

NOTE - 02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of the Accompanying Financial Statements

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The financial statements are in conformity with the provisions required by the Not-for-Profit Entities Presentation of Financial Statements topic of the FASB *Accounting Standards Codification* ("ASC") 958-205. This statement established standards for external financial reporting for Not-for-Profit Organizations.

The Not-for-Profit Entities Presentation of Financial Statements topic of the FASB ASC primarily affects the display of the financial statements and requires that the amounts for each of two classes of net assets--with or without donor restrictions--be displayed in an aggregate statement of financial position and the amounts of change in each of those classes of net assets be displayed in a statement of activities. All assets held by the Corporation at March 31, 2023, are classified as without donor restrictions.

Accounting Method

The Corporation uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Corporation rents apartment units on a year-to-year basis and recognizes revenues when earned. Rental income is shown at its maximum gross potential. Vacancy loss is shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations.

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand.

Restricted Deposits

All reserves of the Corporation are established by internal budgeting and are not required pursuant to any regulatory or debt agreements, therefore they are available for use without any prior approval from external entities.

Tenant Receivable and Bad Debt Policy

Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move-out are charged with damages or cleaning fees, if applicable. Tenant receivables consist of amounts due for rental income or the charges for damages and cleaning fees. The Corporation does not accrue interest on the tenant receivable balances.

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not material to the financial statements. Bad debt expense for the year ended March 31, 2023, was $(993).

Property and Equipment/Investment in Real Estate

Property and equipment are stated at cost of acquisition or construction. The costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

Buildings	30 years
Equipment	5-10 years

Purchases of more than $5,000 are capitalized, while purchases below the threshold are charged as expenses during the period in which they were incurred.

Impairments

The Corporation reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property, including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses in 2023.

Advertising Costs

Advertising costs are expensed as incurred and are included in administrative expense in the statements of activities.

Fair Value

The Corporation is subject to the provisions of the Fair Value Measurement topic of the FASB ASC 820-10 which provides guidance for assets and liabilities which are required to be measured at fair value and requires expanded disclosure for fair value measurement. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value and does not require any new fair value measurements.

The Fair Value Measurement did not have a material impact on the Corporation's financial statements for the year ended March 31, 2023.

Accounting for Uncertainty in Income Taxes

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and state income tax and has been classified as an other-than private foundation. Accordingly, no provision for federal and state taxes on revenue and income has been recognized in the accompanying financial statements. Generally, the Federal and State tax returns were subject to examinations from the three years after the later of the original or extended due date or the date filed with the applicable tax authority.

Classification of Net Assets

Net assets of the Corporation are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups: Net Assets without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met; and Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Corporation. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise unless specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

The Corporation does not interpret the guidance in the standard to include amounts restricted for reserves as donor restricted. The Corporation believes that these amounts do not meet the spirit of the standard for such a classification or is there any industry standard indicating that others will treat these assets as donor restricted.

All net assets of the Corporation at March 31, 2023, were considered to be net assets without donor restrictions.

Subsequent Events

Management evaluated the activity of the Corporation through August 16, 2023, the date the financial statements were available to be issued.

NOTE - 03 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation manages its liquidity by completing annual operating budgets that provide sufficient funds for general expenditures in meeting liabilities and other obligations as they become due and maintains reserves that may be drawn upon as needed during the year to manage cash flow and make necessary repairs. The Corporation's cash and cash equivalents are available within one year of the statement of financial position date to meet cash needs for general expenditures.

NOTE - 04 NOTES PAYABLE

Notes payable are summarized as follows:

	Principal	Interest Payable
Redevelopment Agency (RDA) loan with the City of Yuba City, in the original amount of $1,400,000, bearing simple interest at 3% per annum, payable from residual receipts, and matures March 2053. Secured by Towncenter Senior Manor apartments. Interest for the current year was $39,708.	$ 1,323,589	$ 951,553
Home Investment Partnership (HOME) loan with the City of Yuba City, in the original amount of $673,367, bearing simple interest at 3% per annum, payable from residual receipts, and matures March 2053. Secured by Town Center Senior Manor apartments. Interest for the current year was $20,201.	673,367	505,176
Loan with the City of Yuba City, in the original amount of $160,000, bearing no interest, payments deferred until maturity, and matures July 2056. Secured by Yolo/Heiken property. Interest for the current year was $0.	160,000	-
Total	**$ 2,156,956**	**$ 1,456,729**

Principal payments on notes payable for the next five years and thereafter are estimated as follows:

	Principal
2024	$ -
2025	-
2026	-
2027	-
2028	-
Thereafter	2,156,956
	$ 2,156,956

NOTE - 05 NOTES RECEIVABLE

Notes receivable were comprised of the following:

	Principal	Interest Receivable
State tax credit proceed loan receivable due from a related party, Live Oak Pacific Associates II, LP, a partnership in which the Corporation is named as the Managing General Partner of. The note is in the amount of $1,100,458, bears no interest, and matures September 2064.	$ 893,258	$ -
Total	**$ 893,258**	**$ -**

NOTE - 06 BUSINESS RISKS AND CONCENTRATIONS

Housing Assistance Payments (HAP) Contract

The Corporation recorded $163,176 of its revenues during the year ended March 31, 2023, from Regional Housing Authority under the terms of one or more HAP contracts which provide for rental assistance to the Corporation on behalf of low-income tenants who meet certain qualifications. The Corporation’s future intentions and the future changes in HUD regulations and the appropriations of related funds are uncertain, and accordingly, it is not possible to determine the ultimate impact on the operations of the Corporation.

Geographic Location

Our operations and assets are concentrated in Yuba City, California.

Financial Instruments and Credit Risk

The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE - 07 RELATED PARTIES AND MANAGEMENT AGREEMENT

Regional Housing Authority

The Corporation is managed by Regional Housing Authority (Authority). The management agreement allows for a management fee to be paid to the Authority that is to be approved annually by the Board. Management fees total $26,184 for the year ended March 31, 2023.

The Corporation's insurance coverage is provided for under consolidated policies issued through conventional insurance providers and maintained by the Authority.

In addition, the land on which the Town Center apartments are located is leased for a period of 55 years from the Authority for one dollar a year.

Live Oak Pacific Associates, LP

The Corporation earned a partnership management fee of $5,600 for the year ended March 31, 2023, from Live Oak Pacific Associates, LP, a partnership in which the Corporation is named as the Managing General Partner with a 0.005% interest in.

Live Oak Pacific Associates II, LP

The Corporation earned a partnership management fee of $2,400 for the year ended March 31, 2023, from Live Oak Pacific Associates II, LP, a partnership in which the Corporation is named as the Managing General Partner of.

In addition, the Corporation has a note receivable with this entity. See Note 04 for further disclosure.

NOTE - 08 INVESTMENTS IN PARTNERSHIPS

The Corporation is a co-general partner in Maple Park Phase I, LP. as well as managing general partner in Live Oak Pacific Associates, LP, and Live Oak Pacific Associates II, LP. The Corporation's share of profit (loss) and capital is 0.003 percent, 0.005 percent, and 0.005 percent, respectively.

NOTE - 09 FUNCTIONAL EXPENSES

The Corporation provides low-income housing to its tenants. The cost of providing program services and supporting activities has been summarized on a functional basis in the table below. Expense directly attributable to a specific functional activity of the are reported as expenses of those functional activities. There are no functional expenses that require allocation between activities.

See breakdown below:

Expense Line	Rental Operations	Management and General	Fundraising	Total
Administrative	$ 19,244	$ 34,209	$ -	$ 53,453
Utilities	35,124	-	-	35,124
Operating and maintenance	108,331	-	-	108,331
Taxes and insurance	22,578	-	-	22,578
Financial	59,909	-	-	59,909
Tenant services	8,315	-	-	8,315
Depreciation and amortization	104,190	-	-	104,190
Total	**$ 357,691**	**$ 34,209**	**$ -**	**$ 391,900**

Revenues:

5120	Rent revenue - gross potential	$ 140,891
5121	Tenant assistance payments	163,176
5100T	Total rent revenue	304,067
5152N	Net rental revenue (rent revenue less vacancies)	304,067
5410	Financial revenue - project operations	72
5400T	Total financial revenue	72
5910	Laundry and vending	912
5920	Tenant charges	3,496
5990	Miscellaneous revenue	143,820
5900T	Total other revenue	148,228
5000T	Total revenue	$ 452,367

Expenses:

6204	Management consultants	$ 4,350
6310	Office salary	13,333
6311	Office supplies	2,177
6320	Management fees	26,184
6350	Auditing	8,025
6370	Bad debts	(993)
6390	Miscellaneous	377
6263T	Total administrative expenses	53,453
6450	Electricity	9,404
6451	Water	5,629
6452	Gas	711
6453	Sewer	19,380
6400T	Total utilities expenses	35,124
6515	Supplies	7,417
6520	Contractor	83,632
6525	Garbage and trash	10,351
6570	Vehicle and equipment repairs	6,931
6500T	Total operating and maintenance expenses	108,331
6711	Payroll taxes	969
6720	Property insurance	11,919
6722	Worker's compensation	354
6723	Health insurance and other benefits	4,426
6790	Miscellaneous	4,910
6700T	Total taxes and insurances	22,578
6820	Interest on mortgage	59,909
6800T	Total financial expenses	59,909
6900-01	Salary	8,315
6900T	Total tenant service expenses	8,315
6000T	Total cost of operations	$ 287,710