

**SUTTER COMMUNITY
AFFORDABLE HOUSING,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
MARCH 31, 2012**

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SUTTER COMMUNITY AFFORDABLE HOUSING
Annual Financial Report
For the Year Ended March 31, 2012

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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, 2012

Richard Grant	President
Stan Cleveland.....	Vice President
Linda Nichols.	Secretary/Treasurer
Barbara Swift.....	Member
Martha Griese.	Member
Diane Hodges.	Member
Steven Plaxco.	Member
Angel Diaz.....	Member
Bonnie Reed.	Member
Sarah Becker.	Member
Kimberly Butcher.	Member

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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Sutter Community Affordable Housing, Yuba City, California (a nonprofit Corporation) as of March 31, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of March 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Smith & Newell, CPAs
Yuba City, California
September 28, 2012

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Basic Financial Statements

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SUTTER COMMUNITY AFFORDABLE HOUSING
Statement of Financial Position
March 31, 2012

	<u>Town Center</u>	<u>Yolo Street/ Heiken Way</u>	<u>Maple Park</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and deposits	\$ 175,396	\$ -	\$ -	\$ 175,396
Imprest cash	25	-	-	25
Accounts receivable	1,115	2,553	-	3,668
Due from other funds	1,818	2,598	-	4,416
Total Current Assets	<u>178,354</u>	<u>5,151</u>	<u>-</u>	<u>183,505</u>
Capital Assets				
Land	-	-	6,044	6,044
Construction in progress	-	-	388,053	388,053
Buildings	2,279,088	180,244	-	2,459,332
Furniture and equipment	6,320	-	-	6,320
Accumulated depreciation	(982,878)	(60,081)	-	(1,042,959)
Net Capital Assets	<u>1,302,530</u>	<u>120,163</u>	<u>394,097</u>	<u>1,816,790</u>
Total Assets	<u>\$ 1,480,884</u>	<u>\$ 125,314</u>	<u>\$ 394,097</u>	<u>\$ 2,000,295</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 19,394	\$ 26,287	\$ -	\$ 45,681
Security deposits	8,721	-	-	8,721
Prepaid tenant rent	582	-	-	582
Due to other funds	2,598	1,818	-	4,416
Total Current Liabilities	<u>31,295</u>	<u>28,105</u>	<u>-</u>	<u>59,400</u>
Long-Term Liabilities				
Accrued interest payable	797,733	-	-	797,733
Loans payable				
RDA loan	1,323,589	-	-	1,323,589
HOME loan	673,367	-	-	673,367
AHP loan	100,000	-	-	100,000
Yuba City loan	-	160,000	-	160,000
Total Long-Term Liabilities	<u>2,894,689</u>	<u>160,000</u>	<u>-</u>	<u>3,054,689</u>
Total Liabilities	<u>2,925,984</u>	<u>188,105</u>	<u>-</u>	<u>3,114,089</u>
Net Assets				
Unrestricted	<u>(1,445,100)</u>	<u>(62,791)</u>	<u>394,097</u>	<u>(1,113,794)</u>
Total Net Assets	<u>(1,445,100)</u>	<u>(62,791)</u>	<u>394,097</u>	<u>(1,113,794)</u>
Total Liabilities and Net Assets	<u>\$ 1,480,884</u>	<u>\$ 125,314</u>	<u>\$ 394,097</u>	<u>\$ 2,000,295</u>

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, 2012

	Town Center	Yolo Street/ Heiken Way	Maple Park	Total
OPERATING REVENUES AND OTHER SUPPORT				
Dwelling rents	\$ 165,555	\$ -	\$ -	\$ 165,555
Operating grants	-	65,000	-	65,000
Other income	2,160	40	-	2,200
Total Operating Revenues	167,715	65,040	-	232,755
OPERATING EXPENSES				
Management fees	12,510	1,531	-	14,041
Supplies	2,590	29	-	2,619
Water	3,737	1,532	-	5,269
Electricity	8,633	190	-	8,823
Gas	252	332	-	584
Garbage	4,405	888	-	5,293
Sewer	8,056	1,582	-	9,638
Office expense	19,478	686	-	20,164
Outside services	29,130	89,628	-	118,758
Insurance	3,150	449	-	3,599
Taxes	633	(268)	-	365
Miscellaneous	1,610	360	-	1,970
Depreciation	78,153	6,008	-	84,161
Total Operating Expenses	172,337	102,947	-	275,284
Operating Income (Loss)	(4,622)	(37,907)	-	(42,529)
NON-OPERATING REVENUES (EXPENSES)				
Interest revenue	89	9	-	98
Interest expense	(59,909)	-	-	(59,909)
Total Non-Operating Revenues (Expenses)	(59,820)	9	-	(59,811)
Income (Loss) Before Capital Contributions	(64,442)	(37,898)	-	(102,340)
Capital contributions	-	-	394,097	394,097
Change in Net Assets	(64,442)	(37,898)	394,097	291,757
Net Assets - Beginning of Year	(1,380,658)	(24,893)	-	(1,405,551)
Net Assets - End of Year	<u>\$(1,445,100)</u>	<u>\$(62,791)</u>	<u>\$ 394,097</u>	<u>\$(1,113,794)</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, 2012

	Town Center	Yolo Street/ Heiken Way	Maple Park	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 168,902	\$ 590	\$ -	\$ 169,492
Grants received	-	65,000	-	65,000
Payments to suppliers for goods and services	(89,900)	(77,916)	-	(167,816)
Net Cash Provided (Used) by Operating Activities	79,002	(12,326)	-	66,676
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund loans made	(1,818)	(2,598)	-	(4,416)
Interfund loans received	2,598	3,076	-	5,674
Interfund loans repaid	(1,258)	-	-	(1,258)
Net Cash Provided (Used) by Noncapital Financing Activities	(478)	478	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	89	9	-	98
Net Cash Provided (Used) by Investing Activities	89	9	-	98
Net Increase (Decrease) in Cash and Cash Equivalents	78,613	(11,839)	-	66,774
Balances - Beginning of the Year	96,808	11,839	-	108,647
Balances - End of the Year	\$ 175,421	\$ -	\$ -	\$ 175,421
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (4,622)	\$ (37,907)	\$ -	\$ (42,529)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	78,153	6,008	-	84,161
Decrease (increase) in:				
Accounts receivable	201	550	-	751
Increase (decrease) in:				
Accounts payable	4,284	19,023	-	23,307
Security deposits	920	-	-	920
Prepaid tenant rent	66	-	-	66
Net Cash Provided (Used) by Operating Activities	\$ 79,002	\$ (12,326)	\$ -	\$ 66,676
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contribution of capital assets	\$ -	\$ -	\$ 394,097	\$ 394,097

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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Sutter Community Affordable Housing (Corporation) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to nonprofit entities. The more significant of the Corporation's accounting policies are described below.

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. Functional Expenses

Expenses are charged directly to program or administration in general categories based on specific identification. The Corporation does not allocate indirect expenses and a statement of functional expenses is not presented.

C. 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).

D. Basis of Accounting

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

E. Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in ASC 958 (formerly SFAS No. 117). 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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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.

F. Cash and Deposits

Cash and deposits held by the Corporation at March 31, 2012, 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 did not 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.

G. 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.

H. Accounts Receivable

Accounts receivable at March 31, 2012, consisted primarily of tenant dwelling rents. Management considers all amounts to be collectible and therefore has established no allowance for uncollectibles.

I. 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.

J. Capital Assets

Capital assets are defined by the Corporation as assets with a cost of greater 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:

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

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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

K. Interfund Transactions

Following is a description of the four basic types of interfund transactions made during the year and the related accounting policies:

- Due to/from other funds - loans between funds reported as receivables and payables and referred to as due to/from other funds.
- Quasi-external (charges for current services) - transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenses in the disbursing fund.
- Reimbursements (expenditure transfers) - transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenses in the disbursing fund and a reduction of expenses in the receiving fund.
- Transfers - all other interfund transactions which allocate resources from one fund to another fund. These transactions are recorded as operating transfers in and out.

L. 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.

M. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: DEFICIT NET ASSETS

Sutter Community Affordable Housing had deficit net assets in the following individual funds as of March 31, 2012:

Town Center	\$ 1,445,100
Yolo Street Heiken Way	62,791

These deficits are 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.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2012

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of March 31, 2012, cash and investments consisted of the following:

Deposits in banks		\$ 175,396
Imprest cash		<u>25</u>
Total Cash		<u>\$ 175,421</u>

B. Cash

At year end, the carrying amount of the Corporation's cash deposits in banks was \$175,396 and the bank balance was \$175,799. 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, 2012 was \$3,668 and all material amounts are considered ultimately collectible therefore no allowance for doubtful accounts was considered necessary. Of the \$3,668 balance, \$3,646 was over 90 days old.

NOTE 5: CAPITAL ASSETS

A summary of capital assets at March 31, 2012 follows:

		Balance <u>March 31, 2012</u>
Land	\$	6,044
Construction in progress		388,053
Buildings		2,459,332
Furniture and equipment		<u>6,320</u>
Total		2,859,749
Accumulated Depreciation		(<u>1,042,959</u>)
Total Capital Assets, Net		<u>\$ 1,816,790</u>

For the year ended March 31, 2012, the Corporation received a capital contribution from the Regional Housing Authority of Sutter and Nevada Counties in the amount of \$394,097 which consisted of land and construction in progress related to the Maple Park project. The Corporation will take over the Maple Park Housing program and complete the project.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2012

NOTE 6: INTERFUND TRANSACTIONS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances at March 31, 2012:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Town Center	\$ 1,818	\$ 2,598
Yolo Street/Heiken Way	<u>2,598</u>	<u>1,818</u>
Total	<u>\$ 4,416</u>	<u>\$ 4,416</u>

NOTE 7: LOANS PAYABLE

A summary of loans payable at March 31, 2012 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, 2012 was \$558,065.	\$ 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, 2012 was \$263,257.	673,367
AHP Loan - Interest is at zero percent of the unpaid balance. Upon expiration of the fifteen year term, the entire principal amount of this AHP note will be forgiven, provided that Sutter Community Affordable Housing has been in compliance with the AHP requirements throughout the term.	100,000
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>2,256,956</u>
Less Amount Due Within One Year	<u>-</u>
Total Long-Term Portion Loans Payable	<u>\$ 2,256,956</u>

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2012

NOTE 7: LOANS PAYABLE (CONTINUED)

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

Fiscal Year Ended March 31	Principal	Interest	Total
2013	\$ -	\$ 59,909	\$ 59,909
2014	100,000	59,909	159,909
2015	-	59,909	59,909
2016	-	59,909	59,909
2017	-	59,909	59,909
2018-2022	-	299,543	299,543
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
2053-2057	<u>2,156,956</u>	<u>119,818</u>	<u>2,276,774</u>
Total	<u>\$ 2,256,956</u>	<u>\$ 2,516,164</u>	<u>\$ 4,773,120</u>

NOTE 8: RELATED PARTY TRANSACTIONS

The financial accounting of the Corporation is maintained by the Regional Housing Authority of Sutter and Nevada Counties. 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. The total amount paid to the Regional Housing Authority of Sutter and Nevada Counties for the year ended March 31, 2012 was \$49,556.

NOTE 9: RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation is covered by the Regional Housing Authority 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 10: SUBSEQUENT EVENTS

Management has evaluated events subsequent to March 31, 2012 through September 28, 2012, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.