

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
MARCH 31, 2014**

THIS PAGE INTENTIONALLY LEFT BLANK

SUTTER COMMUNITY AFFORDABLE HOUSING
Annual Financial Report
For the Year Ended March 31, 2014

Table of Contents

| | Page |
|--|------|
| INTRODUCTORY SECTION | |
| Members of the Board. | i |
| FINANCIAL SECTION | |
| Independent Auditor's Report. | 1-2 |
| Basic Financial Statements: | |
| Statement of Financial Position. | 3 |
| Statement of Activities. | 4 |
| Statement of Cash Flows. | 5 |
| Notes to Basic Financial Statements. | 6-11 |
| Supplementary Information: | |
| Note to Schedule of Functional Expenses. | 12 |
| Schedule of Functional Expenses. | 13 |

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

- **Members of the Board**

THIS PAGE INTENTIONALLY LEFT BLANK

SUTTER COMMUNITY AFFORDABLE HOUSING
Board of Directors
For the Year Ended March 31, 2014

| | |
|------------------------|---------------------|
| Richard Grant | President |
| Linda Nichols. | Secretary/Treasurer |
| Barbara Swift..... | Member |
| Martha Griese. | Member |
| Diane Hodges. | Member |
| Sarah Becker. | Member |
| Kimberly Butcher. | Member |
| Antonia Fresquez..... | Member |
| Richard Grant. | Member |

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

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

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Sutter Community Affordable Housing, California (a nonprofit Corporation), which comprise the statement of financial position as of March 31, 2014, 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 assessing 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.

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, 2014, 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.

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

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.

A handwritten signature in cursive script, appearing to read "Smith & Newell", written in dark ink.

Smith & Newell, CPAs
Yuba City, California
September 10, 2014

Basic Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

SUTTER COMMUNITY AFFORDABLE HOUSING
Statement of Financial Position
March 31, 2014

| | Town Center | Yolo Street/ Heiken Way | Total |
|---|------------------------|------------------------------------|--------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and deposits | \$ 158,972 | \$ 5,658 | \$ 164,630 |
| Imprest cash | 25 | - | 25 |
| Accounts receivable | 2,789 | 2,171 | 4,960 |
| Due from other funds | 32,182 | 12,598 | 44,780 |
| Total Current Assets | 193,968 | 20,427 | 214,395 |
| Capital Assets | | | |
| Buildings | 2,279,088 | 180,244 | 2,459,332 |
| Leasehold improvements | 76,346 | 21,757 | 98,103 |
| Furniture and equipment | 6,320 | - | 6,320 |
| Accumulated depreciation | (1,141,889) | (72,098) | (1,213,987) |
| Total Capital Assets, Net | 1,219,865 | 129,903 | 1,349,768 |
| Total Assets | \$ 1,413,833 | \$ 150,330 | \$ 1,564,163 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 17,466 | \$ 2,471 | \$ 19,937 |
| Security deposits | 11,265 | 1,797 | 13,062 |
| Prepaid tenant rent | 1,113 | 142 | 1,255 |
| Due to other funds | 12,598 | 32,182 | 44,780 |
| Total Current Liabilities | 42,442 | 36,592 | 79,034 |
| Noncurrent Liabilities | | | |
| Accrued interest payable | 917,550 | - | 917,550 |
| 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 | 2,914,506 | 160,000 | 3,074,506 |
| Total Liabilities | 2,956,948 | 196,592 | 3,153,540 |
| NET ASSETS | | | |
| Unrestricted | (1,543,115) | (46,262) | (1,589,377) |
| Total Net Assets | (1,543,115) | (46,262) | (1,589,377) |
| Total Liabilities and Net Assets | \$ 1,413,833 | \$ 150,330 | \$ 1,564,163 |

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, 2014

| | <u>Town Center</u> | <u>Yolo Street/ Heiken Way</u> | <u>Total</u> |
|---|------------------------|------------------------------------|-----------------------|
| OPERATING REVENUES AND OTHER SUPPORT | | | |
| Dwelling rents | \$ 181,100 | \$ 38,281 | \$ 219,381 |
| Other income | 4,115 | 654 | 4,769 |
| Total Operating Revenues and Other Support | <u>185,215</u> | <u>38,935</u> | <u>224,150</u> |
| OPERATING EXPENSES | | | |
| Management fees | 14,060 | 1,807 | 15,867 |
| Supplies | 6,852 | 1,521 | 8,373 |
| Water | 2,863 | 1,044 | 3,907 |
| Electricity | 9,152 | 428 | 9,580 |
| Gas | 319 | 1,783 | 2,102 |
| Garbage | 4,685 | 1,079 | 5,764 |
| Sewer | 9,434 | 1,723 | 11,157 |
| Office expense | 1,906 | 162 | 2,068 |
| Outside services | 86,499 | 11,844 | 98,343 |
| Insurance | 8,821 | 1,260 | 10,081 |
| Taxes | 1,213 | 557 | 1,770 |
| Miscellaneous | 1,773 | 253 | 2,026 |
| Depreciation | 80,857 | 6,009 | 86,866 |
| Total Operating Expenses | <u>228,434</u> | <u>29,470</u> | <u>257,904</u> |
| Operating Income (Loss) | <u>(43,219)</u> | <u>9,465</u> | <u>(33,754)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest revenue | 146 | 2 | 148 |
| Gain on extinguishment of debt | 100,000 | - | 100,000 |
| Interest expense | (59,908) | - | (59,908) |
| Total Non-Operating Revenues (Expenses) | <u>40,238</u> | <u>2</u> | <u>40,240</u> |
| Change in Net Assets | <u>(2,981)</u> | <u>9,467</u> | <u>6,486</u> |
| Total Net Assets - Beginning | <u>(1,540,134)</u> | <u>(55,729)</u> | <u>(1,595,863)</u> |
| Total Net Assets - Ending | <u>\$ (1,543,115)</u> | <u>\$ (46,262)</u> | <u>\$ (1,589,377)</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, 2014

| | Town Center | Yolo Street/ Heiken Way | Total |
|--|------------------------|------------------------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 184,669 | \$ 40,057 | \$ 224,726 |
| Payments to suppliers for goods and services | (143,908) | (31,365) | (175,273) |
| Net Cash Provided (Used) by Operating Activities | 40,761 | 8,692 | 49,453 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Interfund loans made | (32,182) | - | (32,182) |
| Interfund loans received | - | 32,182 | 32,182 |
| Interfund loans repayments received | 17,485 | - | 17,485 |
| Interfund loans repaid | - | (17,485) | (17,485) |
| Net Cash Provided (Used) by Noncapital Financing Activities | (14,697) | 14,697 | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (22,266) | (21,757) | (44,023) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (22,266) | (21,757) | (44,023) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest | 146 | 2 | 148 |
| Net Cash Provided (Used) by Investing Activities | 146 | 2 | 148 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 3,944 | 1,634 | 5,578 |
| Balances - Beginning | 155,053 | 4,024 | 159,077 |
| Balances - Ending | \$ 158,997 | \$ 5,658 | \$ 164,655 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (43,219) | \$ 9,465 | \$ (33,754) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 80,857 | 6,009 | 86,866 |
| Decrease (increase) in: | | | |
| Accounts receivable | (1,941) | 482 | (1,459) |
| Increase (decrease) in: | | | |
| Accounts payable | 13,669 | 2,096 | 15,765 |
| Due to RHASNC | (10,000) | (10,000) | (20,000) |
| Security deposits | 514 | 500 | 1,014 |
| Prepaid tenant rent | 881 | 140 | 1,021 |
| Net Cash Provided (Used) by Operating Activities | \$ 40,761 | \$ 8,692 | \$ 49,453 |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | | |
| Loan forgiveness | \$ 100,000 | \$ - | \$ 100,000 |

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

THIS PAGE INTENTIONALLY LEFT BLANK

Basic Financial Statements

- **Notes to Basic Financial Statements**

THIS PAGE INTENTIONALLY LEFT BLANK

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

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. 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, 2014, the Corporation's tax returns related to the years ended March 31, 2011, through March 31, 2013 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. 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.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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.

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, 2014, 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, 2014, 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.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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:

| <u>Depreciable Asset</u> | <u>Estimated Lives</u> |
|--------------------------|------------------------|
| 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.

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. Gain on Extinguishment of Debt

A gain on extinguishment of debt was recorded for the AHP loan, issued November 19, 1998, in the amount of \$100,000. The terms of the original agreement provided for forgiveness of the entire principal amount upon the expiration of the fifteen year term of the note provided the Authority had been in compliance with the AHP requirements throughout the term.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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: DEFICIT NET ASSETS

The Corporation had deficit net assets in the following individual funds as of March 31, 2014:

| | |
|------------------------|--------------|
| Town Center | \$ 1,543,115 |
| Yolo Street Heiken Way | 46,262 |

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.

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of March 31, 2014, cash and investments consisted of the following:

| | |
|-------------------|-------------------|
| Deposits in banks | \$ 164,630 |
| Imprest cash | <u>25</u> |
| Total Cash | <u>\$ 164,655</u> |

B. Cash

At year end, the carrying amount of the Corporation's cash deposits in banks was \$164,630 and the bank balance was \$190,267. 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, 2014 was \$4,960 and all material amounts are considered ultimately collectible therefore no allowance for doubtful accounts was considered necessary. Of the \$4,960 balance, \$2,735 was over 90 days old.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

NOTE 5: CAPITAL ASSETS

A summary of capital assets at March 31, 2014 follows:

| | <u>Balance</u> <u>March 31, 2014</u> |
|---------------------------|---|
| Buildings | \$ 2,459,332 |
| Leasehold improvements | 98,103 |
| Furniture and equipment | <u>6,320</u> |
| Total | 2,563,755 |
| Accumulated Depreciation | (<u>1,213,987</u>) |
| Total Capital Assets, Net | <u>\$ 1,349,768</u> |

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. The following are due from and due to balances at March 31, 2014:

| | <u>Due From</u> <u>Other Funds</u> | <u>Due To</u> <u>Other Funds</u> |
|------------------------|---------------------------------------|-------------------------------------|
| Town Center | \$ 32,182 | \$ 12,598 |
| Yolo Street/Heiken Way | <u>12,598</u> | <u>32,182</u> |
| Total | <u>\$ 44,780</u> | <u>\$ 44,780</u> |

NOTE 7: LOANS PAYABLE

A summary of loans payable at March 31, 2014 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, 2014 was \$613,891. | \$ 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, 2014 was \$303,659. | 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> |

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2014

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 |
|-------------------------------|--------------------|---------------------|---------------------|
| 2015 | \$ - | \$ 59,909 | \$ 59,909 |
| 2016 | - | 59,909 | 59,909 |
| 2017 | - | 59,909 | 59,909 |
| 2018 | - | 59,909 | 59,909 |
| 2019 | - | 59,909 | 59,909 |
| 2020-2024 | - | 299,543 | 299,543 |
| 2025-2029 | - | 299,543 | 299,543 |
| 2030-2034 | - | 299,543 | 299,543 |
| 2035-2039 | - | 299,543 | 299,543 |
| 2040-2044 | - | 299,543 | 299,543 |
| 2045-2049 | - | 299,543 | 299,543 |
| 2050-2054 | 1,996,956 | 299,543 | 2,296,499 |
| 2055-2059 | 160,000 | - | 160,000 |
| Total | <u>\$2,156,956</u> | <u>\$ 2,396,346</u> | <u>\$ 4,553,302</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, 2014 was \$87,094.

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: CONTINGENT LIABILITIES

The AHP loan has been reflected as forgiven, however, the process of recording the reconveyance is still being finalized.

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated events subsequent to March 31, 2014 through September 10, 2014, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

Supplementary Information

THIS PAGE INTENTIONALLY LEFT BLANK

SUTTER COMMUNITY AFFORDABLE HOUSING
Note to Schedule of Functional Expenses
For the Year Ended March 31, 2014

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.

SUTTER COMMUNITY AFFORDABLE HOUSING
Schedule of Functional Expenses
For the Year Ended March 31, 2014

| | Program Services | Town Center Management and General | Total |
|---------------------------------|-----------------------------|---|-------------------|
| OPERATING EXPENSES | | | |
| Management fees | \$ 13,357 | \$ 703 | \$ 14,060 |
| Supplies | 6,509 | 343 | 6,852 |
| Water | 2,720 | 143 | 2,863 |
| Electricity | 8,694 | 458 | 9,152 |
| Gas | 303 | 16 | 319 |
| Garbage | 4,451 | 234 | 4,685 |
| Sewer | 8,962 | 472 | 9,434 |
| Office expense | 1,811 | 95 | 1,906 |
| Outside services | 82,174 | 4,325 | 86,499 |
| Insurance | 8,380 | 441 | 8,821 |
| Taxes | 1,152 | 61 | 1,213 |
| Miscellaneous | 1,684 | 89 | 1,773 |
| Depreciation | 76,814 | 4,043 | 80,857 |
| Total Operating Expenses | \$ 217,011 | \$ 11,423 | \$ 228,434 |

| Yolo Street/Heiken Way | | | Total | | |
|-------------------------------|-------------------------------|------------------|-------------------------|-------------------------------|-------------------|
| Program Services | Management and General | Total | Program Services | Management and General | Total |
| \$ 1,717 | \$ 90 | \$ 1,807 | \$ 15,074 | \$ 793 | \$ 15,867 |
| 1,445 | 76 | 1,521 | 7,954 | 419 | 8,373 |
| 992 | 52 | 1,044 | 3,712 | 195 | 3,907 |
| 407 | 21 | 428 | 9,101 | 479 | 9,580 |
| 1,694 | 89 | 1,783 | 1,997 | 105 | 2,102 |
| 1,025 | 54 | 1,079 | 5,476 | 288 | 5,764 |
| 1,637 | 86 | 1,723 | 10,599 | 558 | 11,157 |
| 154 | 8 | 162 | 1,965 | 103 | 2,068 |
| 11,252 | 592 | 11,844 | 93,426 | 4,917 | 98,343 |
| 1,197 | 63 | 1,260 | 9,577 | 504 | 10,081 |
| 529 | 28 | 557 | 1,681 | 89 | 1,770 |
| 240 | 13 | 253 | 1,924 | 102 | 2,026 |
| 5,709 | 300 | 6,009 | 82,523 | 4,343 | 86,866 |
| <u>\$ 27,998</u> | <u>\$ 1,472</u> | <u>\$ 29,470</u> | <u>\$ 245,009</u> | <u>\$ 12,895</u> | <u>\$ 257,904</u> |

THIS PAGE INTENTIONALLY LEFT BLANK