

**SUTTER COMMUNITY  
AFFORDABLE HOUSING  
(A California Nonprofit Corporation)**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
MARCH 31, 2019**

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**SUTTER COMMUNITY AFFORDABLE HOUSING**  
**(A California Nonprofit Corporation)**  
**Annual Financial Report**  
**For the Year Ended March 31, 2019**

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## **INTRODUCTORY SECTION**

- **List of Officials**

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**SUTTER COMMUNITY AFFORDABLE HOUSING**  
**(A California Nonprofit Corporation)**  
**List of Officials**  
**For the Year Ended March 31, 2019**

**Board of Directors**

Brynda Stranix	President
Gustavo Becerra	Secretary/Treasurer
Diane Hodges	Member
Manny Cardoza	Member
Kimberly Butcher	Member
Richard Grant	Member
Martha Griese	Member
Suzanne Gallaty	Member

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## **FINANCIAL SECTION**

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

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**INDEPENDENT AUDITOR'S REPORT**

To 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, 2019, and the related statements of activities, functional expenses 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.

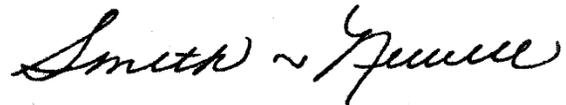
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

To 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, 2019, 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.

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

Smith & Newell CPAs  
Yuba City, California  
September 17, 2019

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## **Financial Statements**

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**SUTTER COMMUNITY AFFORDABLE HOUSING**  
**(A California Nonprofit Corporation)**  
**Statement of Financial Position**  
**March 31, 2019**

	<b>Totals</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 734
Accounts receivable	1,395
Investment in partnership	(165)
<b>Total Current Assets</b>	<b>1,964</b>
Restricted cash and investments	200,016
Property and Equipment:	
Land	45,061
Buildings	2,414,271
Leasehold improvements	328,740
Furniture and equipment	6,320
Accumulated depreciation	(1,650,575)
<b>Total Assets</b>	<b>\$ 1,345,797</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 7,624
Due to RHA	7,347
Security deposits	14,517
Prepaid tenant rent	232
<b>Total Current Liabilities</b>	<b>29,720</b>
Accrued interest payable	1,217,094
Loans payable:	
RDA loan	1,323,589
HOME loan	673,367
Yuba City loan	160,000
<b>Total Liabilities</b>	<b>3,403,770</b>
<b>Net Assets:</b>	
Without donor restrictions	(2,057,973)
<b>Total Net Assets</b>	<b>(2,057,973)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,345,797</b>

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

**SUTTER COMMUNITY AFFORDABLE HOUSING**  
**(A California Nonprofit Corporation)**  
**Statement of Activities**  
**For the Year Ended March 31, 2019**

	<b>Totals</b>
<b>Changes in Net Assets Without Donor Restrictions</b>	
<b>Revenues and gains:</b>	
Dwelling rents	\$ 235,323
Other income	4,803
Interest income	221
	240,347
<b>Total Revenues and Gains Without Donor Restrictions</b>	<b>240,347</b>
<b>Expenses:</b>	
<b>Program services:</b>	
Town Center	274,774
Yolo Street/Heiken Way	29,433
	304,207
<b>Total Program Services</b>	<b>304,207</b>
<b>Supporting services:</b>	
Management and general	16,010
	16,010
<b>Total Supporting Services</b>	<b>16,010</b>
<b>Total Expenses</b>	<b>320,217</b>
<b>Increase (Decrease) in Net Assets Without Donor Restrictions</b>	<b>(79,870)</b>
<b>Net Assets at Beginning of the Year</b>	<b>(1,978,103)</b>
<b>Net Assets at End of the Year</b>	<b>\$ (2,057,973)</b>

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

**SUTTER COMMUNITY AFFORDABLE HOUSING**  
**(A California Nonprofit Corporation)**  
**Statement of Functional Expenses**  
**For the Year Ended March 31, 2019**

	<b>Program Services</b>		<b>Supporting Services</b>	<b>Totals</b>
	<b>Town Center</b>	<b>Yolo Street/ Heiken Way</b>	<b>Management and General</b>	
Management fees	\$ 17,047	\$ 2,191	\$ 1,012	\$ 20,250
Supplies	6,486	178	350	7,014
Water	4,992	1,394	336	6,722
Electricity	8,281	-	436	8,717
Gas	354	322	36	712
Garbage	4,676	1,307	315	6,298
Sewer	13,277	2,434	827	16,538
Office expense	2,175	134	121	2,430
Outside services	67,166	14,925	4,321	86,412
Insurance	4,924	703	296	5,923
Taxes	3,795	531	228	4,554
Interest expense	56,914	-	2,995	59,909
Depreciation	84,687	5,314	4,737	94,738
	<u>\$ 274,774</u>	<u>\$ 29,433</u>	<u>\$ 16,010</u>	<u>\$ 320,217</u>

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

**SUTTER COMMUNITY AFFORDABLE HOUSING**  
**(A California Nonprofit Corporation)**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2019**

	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (decrease) in net assets	\$ (79,870)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	94,738
Partnership revenue (expense)	54
Interest expense	59,909
(Increase) decrease in operating assets:	
Accounts receivable	1,859
Increase (decrease) in operating liabilities:	
Accounts payable	3,540
Due to RHA	(14,834)
Security deposits	(216)
Prepaid tenant rent	(1,100)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>64,080</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of assets	(128,633)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(128,633)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(64,553)</b>
<b>Beginning Cash and Cash Equivalents</b>	<b>265,303</b>
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 200,750</b>

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

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## **Financial Statements**

- **Notes to Financial Statements**

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**SUTTER COMMUNITY AFFORDABLE HOUSING**  
**(A California Nonprofit Corporation)**  
**Notes to Basic Financial Statements**  
**For the Year Ended March 31, 2019**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Nature of Activities**

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 Tax**

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, 2019, the Corporation's federal tax returns related to the years ended March 31, 2017 through March 31, 2019 remain open to possible examination by tax authorities, and the Corporation's State tax returns related to the years March 31, 2016 through March 31, 2019 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 in accordance with accounting principles generally accepted in the United States of America. 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 Corporation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 958, Not-for-Profit Entities: Presentation of Financial Statements. Under FASB ASC Topic No. 958, the Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions. The deficit in net assets without donor restrictions represents the excess of liabilities over assets.

**SUTTER COMMUNITY AFFORDABLE HOUSING**  
**(A California Nonprofit Corporation)**  
**Notes to Basic Financial Statements**  
**For the Year Ended March 31, 2019**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**D. Basis of Presentation (Continued)**

**Net assets with donor restrictions** – Net assets subject to donor-imposed restrictions. The Corporation does not have any net assets with donor restrictions.

**E. 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.

**F. Restricted Cash and Investments**

Restricted assets represent cash and investments held in Town Center for maintenance reserve, security deposits and reserve for replacement of \$185,711 and in Yolo Street/Heiken Way for maintenance reserve and security deposits of \$14,305 at March 31, 2019.

**G. Accounts Receivable**

Accounts receivable at March 31, 2019, consisted primarily of tenant dwelling rents. Management considers all amounts to be collectible and therefore has established no allowance for uncollectibles.

**H. Inventories**

Purchases of supplies are recorded as an expense at the time of purchase, rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

**I. Property and Equipment**

The Corporation capitalizes all property and equipment with a cost of more than \$1,000 and an estimated useful life of more than two years. Assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are recorded at their estimated fair market value at the date of donation.

Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

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

**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.

**SUTTER COMMUNITY AFFORDABLE HOUSING**  
**(A California Nonprofit Corporation)**  
**Notes to Basic Financial Statements**  
**For the Year Ended March 31, 2019**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**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 an asset, they are capitalized and depreciated according to the capitalization policy.

**L. Use of 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 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 total deficit net assets of \$2,057,973 as of March 31, 2019.

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 CASH EQUIVALENTS**

As of March 31, 2019, cash and cash equivalents consisted of the following:

Deposits in banks	\$ 200,725
Petty cash	<u>25</u>
Total Cash and Cash Equivalents	<u>\$ 200,750</u>

At March 31, 2019, the Corporation maintains deposits 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.

**NOTE 4: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Corporation's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 200,750
Accounts receivable	<u>1,395</u>
Total	<u>\$ 202,145</u>

**SUTTER COMMUNITY AFFORDABLE HOUSING**  
**(A California Nonprofit Corporation)**  
**Notes to Basic Financial Statements**  
**For the Year Ended March 31, 2019**

**NOTE 5: ACCOUNTS RECEIVABLE**

Accounts receivable consist of March dwelling rents and rent subsidies. The balance at March 31, 2019 was \$1,395 and all material amounts are considered ultimately collectible, therefore, no allowance for doubtful accounts was considered necessary. Of the \$1,395 balance, \$987 of it was over 90 days old.

**NOTE 6: PROPERTY AND EQUIPMENT**

Following is a summary of property and equipment as of March 31, 2019:

Land	\$ 45,061
Buildings	2,414,271
Leasehold improvements	328,740
Furniture and equipment	<u>6,320</u>
Total	2,794,392
Less: accumulated depreciation	<u>( 1,650,575)</u>
Property and Equipment, Net of Accumulated Depreciation	<u>\$ 1,143,817</u>

Depreciation expense for the year ended March 31, 2019 was \$94,738.

**NOTE 7: LOANS PAYABLE**

A summary of loans payable at March 31, 2019, is as 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, 2019 was \$812,430.	\$ 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, 2019 was \$404,664.	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	2,156,956
Less: amount due within one year	<u>-</u>
Total Long-Term Portion Loans Payable	<u>\$ 2,156,956</u>

**SUTTER COMMUNITY AFFORDABLE HOUSING**  
**(A California Nonprofit Corporation)**  
**Notes to Basic Financial Statements**  
**For the Year Ended March 31, 2019**

**NOTE 7: LOANS PAYABLE (CONTINUED)**

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

Fiscal Year Ended <u>March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 59,909	\$ 59,909
2021	-	59,909	59,909
2022	-	59,909	59,909
2023	-	59,909	59,909
2024	-	59,909	59,909
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
2055-2056	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Total	<u>\$ 2,156,956</u>	<u>\$ 2,096,803</u>	<u>\$ 4,253,759</u>

Total accrued interest on these loans as of March 31, 2019 was \$1,217,094.

**NOTE 8: 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, 2019 was \$82,416.

**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 risk management for errors and omissions. The Corporation carries commercial insurance for all other risks of loss. Settle claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10: OTHER INFORMATION**

**A. Subsequent Events**

Management has evaluated events subsequent to March 31, 2019 through September 17, 2019, 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 general partner in Maple Park Phase I, L.P. and Live Oak Pacific Associations. The Corporation's share of profit (loss) and capital is 0.003 percent and 0.005 percent, respectively. The investment in Maple Park Phase I, L.P., at March 31, 2019 was (\$110), and the investment in Live Oak Pacific Associates at March 31, 2019 was (\$55).

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