

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
MARCH 31, 2018**

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SUTTER COMMUNITY AFFORDABLE HOUSING
Annual Financial Report
For the Year Ended March 31, 2018

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INTRODUCTORY SECTION

- **List of Officials**

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SUTTER COMMUNITY AFFORDABLE HOUSING
List of Officials
For the Year Ended March 31, 2018

Board of Directors

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

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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Sutter Community Affordable Housing, Yuba City, California (a nonprofit Corporation), which comprise the statement of financial position as of March 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

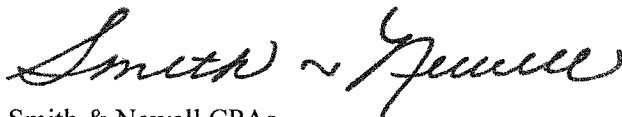
The Board of Directors
Sutter Community Affordable Housing
Yuba City, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sutter Community Affordable Housing as of March 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Smith & Newell CPAs
Yuba City, California
July 16, 2018

Basic Financial Statements

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SUTTER COMMUNITY AFFORDABLE HOUSING
Statement of Financial Position
March 31, 2018

	Town Center	Yolo Street/ Heiken Way	Total
ASSETS			
Current Assets:			
Cash and deposits	\$ 28,205	\$ (4,051)	\$ 24,154
Imprest cash	25	-	25
Accounts receivable	3,007	247	3,254
Investment in partnership	(111)	-	(111)
Total Current Assets	31,126	(3,804)	27,322
Noncurrent Assets:			
Restricted cash and investments	198,129	42,995	241,124
Capital Assets:			
Land	-	45,061	45,061
Buildings	2,279,088	135,183	2,414,271
Leasehold improvements	178,351	21,757	200,108
Furniture and equipment	6,320	-	6,320
Accumulated depreciation	(1,480,889)	(74,947)	(1,555,836)
Total Noncurrent Assets	1,180,999	170,049	1,351,048
Total Assets	\$ 1,212,125	\$ 166,245	\$ 1,378,370
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 3,305	\$ 777	\$ 4,082
Due to RHASNC	14,980	7,201	22,181
Security deposits	12,936	1,797	14,733
Prepaid tenant rent	1,010	323	1,333
Total Current Liabilities	32,231	10,098	42,329
Noncurrent Liabilities:			
Accrued interest payable	1,157,185	-	1,157,185
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	3,154,141	160,000	3,314,141
Total Liabilities	3,186,372	170,098	3,356,470
NET ASSETS			
Unrestricted	(1,974,247)	(3,853)	(1,978,100)
Total Net Assets	(1,974,247)	(3,853)	(1,978,100)
Total Liabilities and Net Assets	\$ 1,212,125	\$ 166,245	\$ 1,378,370

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, 2018

	Town Center	Yolo Street/ Heiken Way	Total
OPERATING REVENUES AND OTHER SUPPORT			
Dwelling rents	\$ 182,494	\$ 42,544	\$ 225,038
Other income	6,150	664	6,814
Total Operating Revenues and Other Support	188,644	43,208	231,852
OPERATING EXPENSES			
Management fees	17,089	2,196	19,285
Supplies	5,527	10,686	16,213
Water	4,438	1,218	5,656
Electricity	10,525	68	10,593
Gas	333	458	791
Garbage	4,690	1,343	6,033
Sewer	12,885	2,446	15,331
Office expense	2,796	279	3,075
Outside services	97,386	30,322	127,708
Insurance	10,117	1,445	11,562
Taxes	1,222	559	1,781
Depreciation	88,709	4,092	92,801
Total Operating Expenses	255,717	55,112	310,829
Operating Income (Loss)	(67,073)	(11,904)	(78,977)
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	195	36	231
Partnership revenue (expense)	(22)	-	(22)
Interest expense	(59,909)	-	(59,909)
Total Non-Operating Revenues (Expenses)	(59,736)	36	(59,700)
Change in Net Assets	(126,809)	(11,868)	(138,677)
Total Net Assets - Beginning	(1,847,438)	8,015	(1,839,423)
Total Net Assets - Ending	\$ (1,974,247)	\$ (3,853)	\$ (1,978,100)

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, 2018

	Town Center	Yolo Street/ Heiken Way	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 184,729	\$ 43,106	\$ 227,835
Payments to suppliers for goods and services	(163,833)	(44,340)	(208,173)
Net Cash Provided (Used) by Operating Activities	20,896	(1,234)	19,662
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(6,910)	-	(6,910)
Net Cash Provided (Used) by Capital and Related Financing Activities	(6,910)	-	(6,910)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	193	36	229
Net Cash Provided (Used) by Investing Activities	193	36	229
Net Increase (Decrease) in Cash and Cash Equivalents	14,179	(1,198)	12,981
Balances - Beginning	212,180	40,142	252,322
Balances - Ending	\$ 226,359	\$ 38,944	\$ 265,303
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (67,073)	\$ (11,904)	\$ (78,977)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	88,709	4,092	92,801
Decrease (increase) in:			
Accounts receivable	(2,757)	(247)	(3,004)
Increase (decrease) in:			
Accounts payable	(4,935)	314	(4,621)
Due to RHASNC	8,110	6,366	14,476
Security deposits	82	-	82
Prepaid tenant rent	(1,240)	145	(1,095)
Net Cash Provided (Used) by Operating Activities	\$ 20,896	\$ (1,234)	\$ 19,662

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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

Sutter Community Affordable Housing is located in Yuba City, California and provides housing for low-income families and elderly and handicapped persons who cannot afford decent, safe, and sanitary housing.

B. Income Taxes

The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170 (1)(A)(vi).

FASB ASC Topic No. 740, Income Taxes, prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Management of the Corporation believes that it has not taken a tax position that, if challenged, would have a material effect on the financial statements. The Corporation files Form 990 in the federal jurisdiction within the United States and Form 199 in the State of California. At March 31, 2018, the Corporation's federal tax returns related to the years ended March 31, 2016 through March 31, 2018 remain open to possible examination by tax authorities, and the Corporation's State tax returns related to the years March 31, 2015 through March 31, 2018 remain open to examination by tax authorities. No tax returns are currently under examination by any tax authorities. The Corporation has not incurred any penalties or interest under FASB ASC Topic No. 740.

C. Basis of Accounting

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

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

The financial statements of the Corporation have been prepared on the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

D. Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in ASC 958. Under FASB ASC 958, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - net assets that are not subject to donor imposed stipulations. The deficit in unrestricted net assets represent the excess of liabilities over assets.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

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

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

E. Cash and Deposits

Cash and deposits held by the Corporation at March 31, 2018, consists of cash held in checking and saving accounts at banks which are secured by the Federal Deposit Insurance Corporation (FDIC). The balance in these banks may at times exceed amounts covered by the FDIC. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash deposits. Concentration of credit risk associated with investments is considered low due to the credit quality of the financial institutions holding these cash deposits and the Federal Deposit Insurance Corporation coverage.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

G. Restricted Cash and Investments

Restricted assets represent cash and investments held in Town Center for maintenance reserve, security deposits and reserve for replacement of \$198,129 and in Yolo Street/Heiken Way for maintenance reserve and security deposits of \$42,995 at March 31, 2018.

H. Accounts Receivable

Accounts receivable at March 31, 2018, 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, rather than when consumed. 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 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.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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. 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.

L. 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.

M. Use of Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Net Assets

The Corporation had deficit net assets in the following individual funds as of March 31, 2018:

Town Center	\$ 1,974,247
Yolo Street/Heiken Way	3,853

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.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2018

NOTE 3: CASH AND DEPOSITS

A. Financial Statement Presentation

As of March 31, 2018, cash and deposits consisted of the following:

Deposits in banks	\$ 265,278
Imprest cash	<u>25</u>
Total Cash and Deposits	<u><u>\$ 265,303</u></u>

B. Cash

At year end, the carrying amount of the Corporation’s cash deposits in banks was \$265,278 and the bank balance was \$283,161. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the Corporation’s deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of more than the \$250,000 insured amount are collateralized.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consist of March dwelling rents and rent subsidies. The balance at March 31, 2018 was \$3,254 and all material amounts are considered ultimately collectible therefore no allowance for doubtful accounts was considered necessary. Of the \$3,254 balance, \$214 of it was over 90 days old.

NOTE 5: CAPITAL ASSETS

A summary of capital assets at March 31, 2018 follows:

	<u>Balance</u> <u>March 31, 2018</u>
Land	\$ 45,061
Buildings	2,414,271
Leasehold improvements	200,108
Furniture and equipment	<u>6,320</u>
Total	2,665,760
Accumulated Depreciation	<u>(1,555,836)</u>
Total Capital Assets, Net	<u><u>\$ 1,109,924</u></u>

Depreciation expense for the year ended March 31, 2018 was \$92,801.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2018

NOTE 6: LOANS PAYABLE

A summary of loans payable at March 31, 2018 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, 2018 was \$772,722.	\$ 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, 2018 was \$384,463.	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><u>\$ 2,156,956</u></u>

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

Fiscal Year Ended March 31	Principal	Interest	Total
2019	\$ -	\$ 59,909	\$ 59,909
2020	-	59,909	59,909
2021	-	59,909	59,909
2022	-	59,909	59,909
2023	-	59,909	59,909
2024-2028	-	299,543	299,543
2029-2033	-	299,543	299,543
2034-2038	-	299,543	299,543
2039-2043	-	299,543	299,543
2044-2048	-	299,543	299,543
2049-2053	-	299,543	299,543
2054-2056	<u>2,156,956</u>	<u>119,817</u>	<u>2,276,773</u>
Total	<u><u>\$ 2,156,956</u></u>	<u><u>\$ 2,216,620</u></u>	<u><u>\$ 4,373,576</u></u>

Total accrued interest on these loans as of March 31, 2018 was \$1,157,185.

NOTE 7: RELATED PARTY TRANSACTIONS

The financial accounting of the Corporation is maintained by the Regional Housing Authority (RHA). In addition, the land on which the Town Center apartments are located is leased for a period of 55 years from RHA for one dollar a year. The total amount paid to the RHA for the year ended March 31, 2018 was \$106,036.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2018

NOTE 8: RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation is covered by the Regional Housing Authority risk management for errors and omissions. The Corporation carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: OTHER INFORMATION

A. Subsequent Events

Management has evaluated events subsequent to March 31, 2018 through July 16, 2018, 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 Associates. The Corporation's share of profit(loss) and capital is 0.003% and 0.005%, respectively. The investment in Maple Park Phase I, L.P., at March 31, 2018 was (\$78), and the investment in Live Oak Pacific Associates at March 31, 2018 was (\$33).

Supplementary Information

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SUTTER COMMUNITY AFFORDABLE HOUSING
Schedule of Functional Expenses
For the Year Ended March 31, 2018

	<u>Program Services</u>	<u>Town Center Management and General</u>	<u>Total</u>
OPERATING EXPENSES			
Management fees	\$ 16,235	\$ 854	\$ 17,089
Supplies	5,251	276	5,527
Water	4,216	222	4,438
Electricity	9,999	526	10,525
Gas	316	17	333
Garbage	4,456	234	4,690
Sewer	12,241	644	12,885
Office expense	2,656	140	2,796
Outside services	92,517	4,869	97,386
Insurance	9,611	506	10,117
Taxes	1,161	61	1,222
Depreciation	84,274	4,435	88,709
Total Operating Expenses	<u>\$ 242,933</u>	<u>\$ 12,784</u>	<u>\$ 255,717</u>

Yolo Street/Heiken Way			Total		
Program Services	Management and General	Total	Program Services	Management and General	Total
\$ 2,086	\$ 110	\$ 2,196	\$ 18,321	\$ 964	\$ 19,285
10,152	534	10,686	15,403	810	16,213
1,157	61	1,218	5,373	283	5,656
65	3	68	10,064	529	10,593
435	23	458	751	40	791
1,276	67	1,343	5,732	301	6,033
2,324	122	2,446	14,565	766	15,331
265	14	279	2,921	154	3,075
28,806	1,516	30,322	121,323	6,385	127,708
1,373	72	1,445	10,984	578	11,562
531	28	559	1,692	89	1,781
3,887	205	4,092	88,161	4,640	92,801
\$ 52,357	\$ 2,755	\$ 55,112	\$ 295,290	\$ 15,539	\$ 310,829

SUTTER COMMUNITY AFFORDABLE HOUSING
Note to Schedule of Functional Expenses
For the Year Ended March 31, 2018

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.