

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
MARCH 31, 2016**

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SUTTER COMMUNITY AFFORDABLE HOUSING
Annual Financial Report
For the Year Ended March 31, 2016

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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, 2016

Diane Hodges. President
Martha Griese. Vice-President
Gustavo Becerra. Secretary/Treasurer
Charles Epp. Member
Kimberly Butcher. Member
Richard Grant. 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, 2016, 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

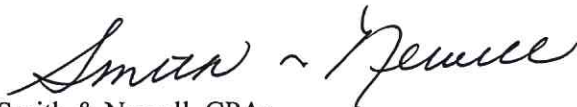
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sutter Community Affordable Housing as of March 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2A to the basic financial statements, errors were detected in prior year net assets. The correction of these errors resulted in the restatement of beginning net assets for the year ended March 31, 2016. Our opinion is not modified with respect to these matters.

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.



Smith & Newell, CPAs
Yuba City, California
August 8, 2016

Basic Financial Statements

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SUTTER COMMUNITY AFFORDABLE HOUSING
Statement of Financial Position
March 31, 2016

	Town Center	Yolo Street/ Heiken Way	Total
ASSETS			
Current Assets			
Cash and deposits	\$ 272,206	\$ 29,468	\$ 301,674
Imprest cash	25	-	25
Accounts receivable	60	39	99
Investment in partnership	(68)	-	(68)
	272,223	29,507	301,730
Capital Assets			
Land	-	45,061	45,061
Buildings	2,279,088	135,183	2,414,271
Leasehold improvements	96,321	21,757	118,078
Furniture and equipment	6,320	-	6,320
Accumulated depreciation	(1,307,541)	(65,261)	(1,372,802)
	1,074,188	136,740	1,210,928
	Total Assets	\$ 166,247	\$ 1,512,658
	\$ 1,346,411	\$ 166,247	\$ 1,512,658
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 22,332	\$ 621	\$ 22,953
Due to RHASNC	6,506	1,735	8,241
Security deposits	12,351	1,797	14,148
Prepaid tenant rent	1,166	40	1,206
	42,355	4,193	46,548
Noncurrent Liabilities			
Accrued interest payable	1,037,368	-	1,037,368
Loans payable			
RDA loan	1,323,589	-	1,323,589
HOME loan	673,367	-	673,367
Yuba City loan	-	160,000	160,000
	3,034,324	160,000	3,194,324
	Total Noncurrent Liabilities	164,193	3,240,872
	3,076,679	164,193	3,240,872
NET ASSETS			
Unrestricted	(1,730,268)	2,054	(1,728,214)
	Total Net Assets	2,054	(1,728,214)
	Total Liabilities and Net Assets	\$ 166,247	\$ 1,512,658
	\$ 1,346,411	\$ 166,247	\$ 1,512,658

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, 2016

	Town Center	Yolo Street/ Heiken Way	Total
OPERATING REVENUES AND OTHER SUPPORT			
Dwelling rents	\$ 183,013	\$ 43,134	\$ 226,147
Other income	3,691	491	4,182
Total Operating Revenues and Other Support	186,704	43,625	230,329
OPERATING EXPENSES			
Management fees	15,501	1,992	17,493
Supplies	5,568	824	6,392
Water	4,952	942	5,894
Electricity	8,805	-	8,805
Gas	223	712	935
Garbage	4,546	1,299	5,845
Sewer	9,882	1,954	11,836
Office expense	2,934	272	3,206
Outside services	75,834	16,231	92,065
Insurance	4,121	589	4,710
Taxes	1,213	557	1,770
Collection losses	-	378	378
Miscellaneous	1,792	256	2,048
Depreciation	82,826	5,594	88,420
Total Operating Expenses	218,197	31,600	249,797
Operating Income (Loss)	(31,493)	12,025	(19,468)
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	118	13	131
Partnership revenue (expense)	(68)	-	(68)
Interest expense	(59,909)	-	(59,909)
Total Non-Operating Revenues (Expenses)	(59,859)	13	(59,846)
Change in Net Assets	(91,352)	12,038	(79,314)
Total Net Assets - Beginning	(1,638,916)	(29,510)	(1,668,426)
Prior period adjustment	-	19,526	19,526
Total Net Assets - Beginning, Restated	(1,638,916)	(9,984)	(1,648,900)
Total Net Assets - Ending	\$ (1,730,268)	\$ 2,054	\$ (1,728,214)

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, 2016

	Town Center	Yolo Street/ Heiken Way	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 186,947	\$ 43,248	\$ 230,195
Payments to suppliers for goods and services	(120,371)	(24,517)	(144,888)
Net Cash Provided (Used) by Operating Activities	66,576	18,731	85,307
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(19,975)	-	(19,975)
Net Cash Provided (Used) by Capital and Related Financing Activities	(19,975)	-	(19,975)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	118	12	130
Net Cash Provided (Used) by Investing Activities	118	12	130
Net Increase (Decrease) in Cash and Cash Equivalents	46,719	18,743	65,462
Balances - Beginning	225,512	10,725	236,237
Balances - Ending	\$ 272,231	\$ 29,468	\$ 301,699
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (31,493)	\$ 12,025	\$ (19,468)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	82,826	5,594	88,420
Decrease (increase) in:			
Accounts receivable	73	(39)	34
Increase (decrease) in:			
Accounts payable	12,636	190	12,826
Due to RHASNC	2,364	1,299	3,663
Security deposits	336	-	336
Prepaid tenant rent	(166)	(338)	(504)
Net Cash Provided (Used) by Operating Activities	\$ 66,576	\$ 18,731	\$ 85,307

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, 2016

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, 2016, the Corporation's tax returns related to the years ended March 31, 2013, through March 31, 2015 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. 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.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Presentation (Continued)

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, 2016, 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. Accounts Receivable

Accounts receivable at March 31, 2016, 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. 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:

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.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 a capital asset, they are capitalized and depreciated according to the capital asset policy.

L. 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. Restatement of Net Assets

Adjustments resulting from errors are treated as adjustments to prior periods. Accordingly, the Corporation reports these changes as restatements of beginning net assets. During the current year an adjustment to net assets was required in the Yolo Street/Heiken Way fund to correct amounts for land incorrectly recorded and depreciated as buildings.

The impact of the restatements on the financial statements as previously reported is presented below:

	Yolo Street/ Heiken Way
Net Assets, March 31, 2015, as previously reported	(\$ 29,510)
Adjustment associated with:	
Correction of accumulated depreciation	19,526
Total Adjustments	19,526
Net Assets, April 1, 2016, as restated	(\$ 9,984)

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2016

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Deficit Net Assets

The Corporation had deficit net assets in the following individual funds as of March 31, 2016:

Town Center	\$ 1,730,268
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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 DEPOSITS

A. Financial Statement Presentation

As of March 31, 2016, cash and deposits consisted of the following:

Deposits in banks	\$ 301,674
Imprest cash	<u>25</u>
Total Cash	<u>\$ 301,699</u>

B. Cash

At year end, the carrying amount of the Corporation's cash deposits in banks was \$301,674 and the bank balance was \$305,708. 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, 2016 was \$99 and all material amounts are considered ultimately collectible therefore no allowance for doubtful accounts was considered necessary. Of the \$99 balance, all of it was over 90 days old.

NOTE 5: CAPITAL ASSETS

A summary of capital assets at March 31, 2016 follows:

	Balance <u>March 31, 2016</u>
Land	\$ 45,061
Buildings	2,414,271
Leasehold improvements	118,078
Furniture and equipment	<u>6,320</u>
Total	2,583,730
Accumulated Depreciation	(<u>1,372,802</u>)
Total Capital Assets, Net	<u>\$ 1,210,928</u>

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2016

NOTE 6: LOANS PAYABLE

A summary of loans payable at March 31, 2016 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, 2016 was \$693,307.	\$ 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, 2016 was \$344,061.	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><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
2017	\$ -	\$ 59,909	\$ 59,909
2018	-	59,909	59,909
2019	-	59,909	59,909
2020	-	59,909	59,909
2021	-	59,909	59,909
2022-2026	-	299,543	299,543
2027-2031	-	299,543	299,543
2032-2036	-	299,543	299,543
2037-2041	-	299,543	299,543
2042-2046	-	299,543	299,543
2047-2051	-	299,543	299,543
2052-2056	<u>2,156,956</u>	<u>179,726</u>	<u>2,336,682</u>
Total	<u><u>\$ 2,156,956</u></u>	<u><u>\$ 2,276,529</u></u>	<u><u>\$ 4,433,485</u></u>

Total accrued interest on these loans as of March 31, 2016 was \$1,037,368.

NOTE 7: RELATED PARTY TRANSACTIONS

The financial accounting of the Corporation is maintained by the Regional Housing Authority of Sutter and Nevada Counties (RHASNC). In addition, the land on which the Town Center apartments are located is leased for a period of 55 years from RHASNC for one dollar a year. The total amount paid to the RHASNC for the year ended March 31, 2016 was \$79,330.

SUTTER COMMUNITY AFFORDABLE HOUSING
Notes to Basic Financial Statements
For the Year Ended March 31, 2016

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 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 9: OTHER INFORMATION

A. Subsequent Events

Management has evaluated events subsequent to March 31, 2016 through August 8, 2016, 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 limited partner in Maple Park I, L.P. The Corporation's share of profit, loss, and capital is 0.003%. The investment in Maple Park I, L.P., at March 31, 2016 was (\$68).

Supplementary Information

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SUTTER COMMUNITY AFFORDABLE HOUSING
Schedule of Functional Expenses
For the Year Ended March 31, 2016

	Town Center		Total
	Program Services	Management and General	
OPERATING EXPENSES			
Management fees	\$ 14,726	\$ 775	\$ 15,501
Supplies	5,290	278	5,568
Water	4,704	248	4,952
Electricity	8,365	440	8,805
Gas	212	11	223
Garbage	4,319	227	4,546
Sewer	9,388	494	9,882
Office expense	2,787	147	2,934
Outside services	72,042	3,792	75,834
Insurance	3,915	206	4,121
Taxes	1,152	61	1,213
Collection losses	-	-	-
Miscellaneous	1,702	90	1,792
Depreciation	78,685	4,141	82,826
Total Operating Expenses	\$ 207,287	\$ 10,910	\$ 218,197

Yolo Street/Heiken Way			Total		
Program Services	Management and General	Total	Program Services	Management and General	Total
\$ 1,892	\$ 100	\$ 1,992	\$ 16,618	\$ 875	\$ 17,493
783	41	824	6,073	319	6,392
895	47	942	5,599	295	5,894
-	-	-	8,365	440	8,805
676	36	712	888	47	935
1,234	65	1,299	5,553	292	5,845
1,856	98	1,954	11,244	592	11,836
258	14	272	3,045	161	3,206
15,419	812	16,231	87,461	4,604	92,065
560	29	589	4,475	235	4,710
529	28	557	1,681	89	1,770
359	19	378	359	19	378
243	13	256	1,945	103	2,048
5,314	280	5,594	83,999	4,421	88,420
<u>\$ 30,018</u>	<u>\$ 1,582</u>	<u>\$ 31,600</u>	<u>\$ 237,305</u>	<u>\$ 12,492</u>	<u>\$ 249,797</u>

SUTTER COMMUNITY AFFORDABLE HOUSING
Note to Schedule of Functional Expenses
For the Year Ended March 31, 2016

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.