

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
MARCH 31, 2021**

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SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Annual Financial Report
For the Year Ended March 31, 2021

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INTRODUCTORY SECTION

- **List of Officials**

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SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
List of Officials
For the Year Ended March 31, 2021

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
Rich Millhollin	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 California nonprofit Organization), which comprise the statement of financial position as of March 31, 2021, 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.

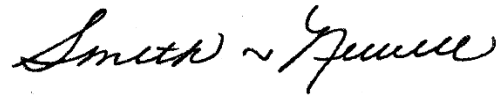
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2021, and the changes in its net assets, statement of functional expenses 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
August 18, 2021

Financial Statements

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SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Statement of Financial Position
March 31, 2021

	Totals
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 9,618
Accounts receivable	239
Investment in partnership	(302)
Total Current Assets	9,555
Restricted cash and investments	243,252
Property and Equipment:	
Land	45,061
Buildings	2,414,271
Leasehold improvements	402,970
Furniture and equipment	6,320
Accumulated depreciation	(1,856,501)
Total Assets	\$ 1,264,928
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	\$ 2,571
Due to Regional Housing Authority	6,619
Security deposits	16,523
Prepaid tenant rent	1,377
Total Current Liabilities	27,090
Accrued interest payable	1,336,911
Loans payable:	
RDA loan	1,323,589
HOME loan	673,367
Yuba City loan	160,000
Total Liabilities	3,520,957
Net Assets:	
Without donor restrictions	(2,256,029)
Total Net Assets	(2,256,029)
Total Liabilities and Net Assets	\$ 1,264,928

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

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Statement of Activities
For the Year Ended March 31, 2021

	Totals
Changes in Net Assets Without Donor Restrictions	
Revenues and gains:	
Dwelling rents	\$ 260,903
Other income	5,065
Interest income	53
Total Revenues and Gains Without Donor Restrictions	266,021
Expenses:	
Program services:	
Town Center	303,825
Yolo Street/Heiken Way	34,414
New Haven Court	1,967
Total Program Services	340,206
Supporting services:	
Management and general	17,903
Total Supporting Services	17,903
Total Expenses	358,109
Increase (Decrease) in Net Assets Without Donor Restrictions	(92,088)
Net Assets at Beginning of the Year	(2,163,941)
Net Assets at End of the Year	\$ (2,256,029)

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

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Statement of Functional Expenses
For the Year Ended March 31, 2021

	Program Services			Supporting Services	Totals
	Town Center	Yolo Street/ Heiken Way	New Haven Court	Management and General	
Management fees	\$ 18,434	\$ 2,371	\$ -	\$ 1,095	\$ 21,900
Supplies	7,343	679	-	422	8,444
Water	5,264	1,807	-	372	7,443
Electricity	8,204	27	-	433	8,664
Gas	152	364	-	27	543
Garbage	7,996	1,336	-	491	9,823
Sewer	13,528	2,657	-	852	17,037
Office expense	2,386	177	19	136	2,718
Outside services	81,226	15,190	428	5,096	101,940
Collection losses	2,902	1,226	-	218	4,346
Insurance	5,828	840	-	351	7,019
Taxes	1,794	529	1,520	202	4,045
Interest expense	56,914	-	-	2,995	59,909
Depreciation	91,854	7,211	-	5,213	104,278
	<u>\$ 303,825</u>	<u>\$ 34,414</u>	<u>\$ 1,967</u>	<u>\$ 17,903</u>	<u>\$ 358,109</u>

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

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Statement of Cash Flows
For the Year Ended March 31, 2021

	Totals
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ (92,088)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	104,278
Partnership revenue (expense)	37
Interest expense	59,909
(Increase) decrease in operating assets:	
Accounts receivable	3,377
Prepaid expenses	5,873
Increase (decrease) in operating liabilities:	
Accounts payable	(13,748)
Due to Regional Housing Authority	(4,246)
Security deposits	908
Prepaid tenant rent	(8)
Net Cash Provided (Used) by Operating Activities	64,292
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of property and equipment	(15,780)
Net Cash Provided (Used) by Capital and Related Financing Activities	(15,780)
Net Increase (Decrease) in Cash and Cash Equivalents	48,512
Beginning Cash and Cash Equivalents	204,358
Ending Cash and Cash Equivalents	\$ 252,870

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

Financial Statements

- **Notes to Financial Statements**

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SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended March 31, 2021

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, elderly and handicapped persons who cannot afford decent, safe, and sanitary housing.

B. Income Tax

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization 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 Organization believes that it has not taken a tax position that, if challenged, would have a material effect on the financial statements.

The Organization files Form 990 in the federal jurisdiction within the United States and Form 199 in the State of California. At March 31, 2021, the Organization's federal tax returns related to the years ended March 31, 2019 through March 31, 2021 remain open to possible examination by tax authorities, and the Organization's State tax returns related to the years March 31, 2018 through March 31, 2021 remain open to examination by tax authorities. No tax returns are currently under examination by any tax authorities. The Organization has not incurred any penalties or interest under FASB ASC Topic No. 740.

C. Basis of Accounting

The operations of the Organization are organized into funds, each of which is considered to be a separate accounting entity. The three funds of the Organization 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 Organization 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 Organization 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 Organization 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 Organization)
Notes to Basic Financial Statements
For the Year Ended March 31, 2021

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 Organization does not have any net assets with donor restrictions.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization 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 \$201,127 and in Yolo Street/Heiken Way for maintenance reserve and security deposits of \$42,125 at March 31, 2021.

G. Accounts Receivable

Accounts receivable at March 31, 2021, consisted primarily of tenant dwelling rents. Management considers all amounts to be collectible and therefore has established no allowance for uncollectible accounts.

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. Prepaid Expenses

Portions of the expenses paid that are applicable to the subsequent fiscal year have been recorded as prepaid expenses.

J. Property and Equipment

The Organization 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

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended March 31, 2021

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

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

M. 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 Organization had total deficit net assets of \$2,256,029 as of March 31, 2021.

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 Organization 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, 2021, cash and cash equivalents consisted of the following:

Deposits in banks	\$ 252,845
Petty cash	<u>25</u>
Total Cash and Cash Equivalents	<u>\$ 252,870</u>

At March 31, 2021, the Organization 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 Organization 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 FDIC coverage.

SUTTER COMMUNITY AFFORDABLE HOUSING
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended March 31, 2021

NOTE 4: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Cash and cash equivalents	\$ 252,870
Accounts receivable	<u>239</u>
Total	<u>\$ 253,109</u>

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consist of March dwelling rents and rent subsidies. The balance at March 31, 2021 was \$239 and all material amounts are considered ultimately collectible, therefore no allowance for doubtful accounts was considered necessary. Of the \$239 balance, \$120 was over 90 days old.

NOTE 6: PROPERTY AND EQUIPMENT

Following is a summary of property and equipment as of March 31, 2021:

Land	\$ 45,061
Buildings	2,414,271
Leasehold improvements	402,970
Furniture and equipment	<u>6,320</u>
Total	2,868,622
Less: accumulated depreciation	(1,856,501)
Property and Equipment, Net of Accumulated Depreciation	<u>\$ 1,012,121</u>

Depreciation expense for the year ended March 31, 2021 was \$104,278.

NOTE 7: LOANS PAYABLE

A summary of loans payable at March 31, 2021, 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, 2020 was \$891,845.	\$ 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, 2020 was \$445,066.	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 Organization)
Notes to Basic Financial Statements
For the Year Ended March 31, 2021

NOTE 7: LOANS PAYABLE (CONTINUED)

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

Fiscal Year Ended March 31	Principal	Interest	Total
2022	\$ -	\$ 59,909	\$ 59,909
2023	-	59,909	59,909
2024	-	59,909	59,909
2025	-	59,909	59,909
2026	-	59,909	59,909
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>\$ 2,156,956</u>	<u>\$ 1,976,986</u>	<u>\$ 4,133,942</u>

Total accrued interest on these loans as of March 31, 2021 was \$1,336,911.

NOTE 8: RELATED PARTY TRANSACTIONS

The financial accounting of the Organization 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, 2021 was \$86,252.

NOTE 9: RISK MANAGEMENT

The Organization 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 Organization is covered by the Regional Housing Authority risk management for errors and omissions. The Organization 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, 2021 through August 18, 2021, 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 Organization is a general partner in Maple Park Phase I, L.P. and Live Oak Pacific Associates. The Organization'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, 2020 was (\$138), and the investment in Live Oak Pacific Associates at March 31, 2020 was (\$164).

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