

SUTTER COMMUNITY AFFORDABLE HOUSING

Financial Statements & Independent Auditors' Report
For the Year Ended March 31, 2025



smithmarion

Sutter Community Affordable Housing

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March 31, 2025

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Board of Directors

Sutter Community Affordable Housing
Yuba City, CA

Independent Auditors' Report

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Sutter Community Affordable Housing, which comprise the statement of financial position as of March 31, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Sutter Community Affordable Housing, as of March 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sutter Community Affordable Housing, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sutter Community Affordable Housing's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sutter Community Affordable Housing's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sutter Community Affordable Housing's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sutter Community Affordable Housing's financial statements. The accompanying supplementary information is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

That information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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, that information is fairly stated in all material respects in relation to the financial statements as a whole.

July 20, 2025

Sutter Community Affordable Housing

Statement of Financial Position

March 31, 2025

ASSETS**Current Assets**

Cash	\$	767,855
Accounts receivable (net)		43,415
Prepaid and escrow deposits		11,182
Total Current Assets		822,452

Non-Current Assets

Cash-tenant security deposits		22,378
Investments		893,258
Fixed assets (net)		645,257
Total Non-Current Assets		1,560,893

TOTAL ASSETS**\$ 2,383,345****LIABILITIES AND NET ASSETS****Current Liabilities**

Accounts payable	\$	14,176
Prepaid rent		3,743
Current portion of notes and loans payable		-
Total Current Liabilities		17,919

Long-Term Liabilities

Tenant deposits held in trust		22,378
Accrued interest		1,576,546
Notes and loans payable		2,156,956
Total Long-Term Liabilities		3,755,880

TOTAL LIABILITIES**3,773,799****NET ASSETS**

Net assets without donor restriction		(1,390,454)
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NET ASSETS**(1,390,454)****TOTAL LIABILITIES AND NET ASSETS****\$ 2,383,345**

Sutter Community Affordable Housing

Statement of Operations

For the Year Ended March 31, 2025

OPERATING REVENUES	
Rental income	\$ 150,552
Tenant assistance payments	216,197
Vacancies	<u>4,114</u>
TOTAL OPERATING REVENUES	<u>370,863</u>
OPERATING EXPENSES	
Administrative expenses	74,510
Utilities expense	38,290
Operating and maintenance expenses	92,662
Taxes and insurances	22,752
Depreciation and amortization	103,407
Financial expenses	<u>59,909</u>
TOTAL OPERATING EXPENSES	<u>391,530</u>
NET OPERATING PROFIT (LOSS)	<u>(20,667)</u>
OTHER INCOME (EXPENSES)	
Financial revenue	5,016
Developer fees income	<u>124,418</u>
TOTAL OTHER INCOME (EXPENSES)	<u>129,434</u>
CHANGE IN NET POSITION	<u>\$ 108,767</u>

Sutter Community Affordable Housing

Statement of Cash Flows

For the Year Ended March 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Net income (loss) \$ 108,767

Reconciliation of Net Income (Loss) to Net Cash Provided by Operating Activities

Depreciation 103,407

Increase (Decrease) in

Tenant accounts receivable (43,137)

Prepaid expenses 155

Accounts payable 64,965

Prepaid rent 59

Security deposits (487)

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**233,729****CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets (24,080)

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES**(24,080)****CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments -

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES**-**

Net increase (decrease) in cash 209,649

Beginning cash 580,584

Ending cash \$ 790,233**Reconciliation to Cash on Balance Sheet**

Cash \$ 767,855

Cash - tenant security deposits 22,378

\$ 790,233

Sutter Community Affordable Housing

Statement of Change in Net Assets

For the Year Ended March 31, 2025

NET ASSETS WITHOUT DONOR RESTRICTIONS

Beginning of year	\$ (1,170,721)
Change in net assets	108,767
Prior period correction due to change in accounting standards	<u>(328,500)</u>
End of Year	<u><u>\$ (1,390,454)</u></u>

NOTE 01 - CORPORATION AND NATURE OF ACTIVITIES

Nature of Corporation

Sutter Community Affordable Housing (the Corporation), is a not-for-profit corporation formed in 1997, in accordance with the not-for-profit statutes of the State of California. The Corporation was formed for the purpose of providing housing for low-income families and elderly and handicapped persons who cannot afford decent, safe, and sanitary housing, by constructing, rehabilitation, owning, and operating housing units, and the sale or rental of the same to poor, underprivileged, handicapped, and elderly, in conjunction with the state and federal low-income housing programs, and to provide related facilities and services especially designed to meet the physical, social, and psychological needs of said families and persons which will contribute to their health, security, happiness, and usefulness, and to thereby, inter alia, ameliorate the existing housing shortage, provide relief for the poor, distressed and underprivileged, lessen the burdens of the government, and combat community deterioration and juvenile delinquency.

NOTE 02 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The financial statements are in conformity with the provisions required by the Not-for-Profit Entities Presentation of Financial Statements topic of the FASB Accounting Standards Codification (ASC) 958-205. This statement established standards for external financial reporting for Not-for-Profit Corporations.

The Not-for-Profit Entities Presentation of Financial Statements topic of the FASB ASC primarily affects the display of the financial statements and requires that the amounts for each of two classes of net assets—with or without donor restrictions—be displayed in an aggregate statement of financial position and the amounts of change in each of those classes of net assets be displayed in a statement of activities. All assets held by the Corporation are classified as without donor restrictions.

Basis of Accounting

These financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

The Corporation rents apartment units on a year-to-year basis and recognizes revenues when earned. Rental income is shown at its maximum gross potential. Vacancy loss is shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations.

Cash and Cash Equivalents

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

Sutter Community Affordable Housing

Notes to Financial Statements
For the Year Ended March 31, 2025

Accounts Receivable

Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with damages or cleaning fees, if applicable. Tenant receivables consist of amounts due for rental income or the charges for damages and cleaning fees. The Corporation does not accrue interest on the tenant receivable balances.

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not material to the financial statements. Bad debt expense for the year ended March 31, 2025, was \$864.

Capital Assets

Depreciation is provided over the estimated useful lives of the assets using the straight-line method of depreciation. Items having a useful life in excess of 1 year and original cost in excess of \$5,000 are capitalized and depreciated over their useful lives.

The useful lives of the assets are estimated as follows:

<u>Category</u>	<u>Useful Life</u>
Buildings and improvements	30 Years
Furniture and equipment	5-10 Years

Impairments

The Corporation reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property, including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses in 2025.

Advertising Costs

Advertising costs are expensed as incurred and are included in administrative expense in the statement of activities.

Fair Values of Financial Instruments

The Corporation is subject to the provisions of the Fair Value Measurement topic of the FASB ASC 820-10 which provides guidance for assets and liabilities which are required to be measured at fair value and requires expanded disclosure for Fair Value Measurement. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value and does not require any new Fair Value Measurements.

The Fair Value Measurement did not have a material impact on the Corporation's financial statements for the year ended March 31, 2025.

Income Taxes

The Corporation is a non-profit corporation exempted from Federal Income Taxation under Section 501(c)(3) of the Internal Revenue Code.

In accordance with accounting standards, which provide accounting and disclosure guidance about uncertain tax positions taken by a corporation, management believes that all of the positions taken by the Corporation in its federal income tax returns are more likely than not to be sustained upon examination. The Corporation files return in the U.S. Federal jurisdiction.

Sutter Community Affordable Housing

Notes to Financial Statements
For the Year Ended March 31, 2025

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for use by the Board of Directors of the Corporation. Such designations limit the area of the Corporation’s operations for which expenditures of designated net assets may be made. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Corporation reports support as net assets without donor restrictions. At March 31, 2025, there were no net assets with donor restrictions.

Salaries and Benefits

The salaries and benefit expenses in the financial statement are an allocation of employees of Regional Housing Authority for services rendered to the Corporation. The Corporation has no employees, all salaries and benefits are allocated costs.

NOTE 03 - ACCOUNTS RECEIVABLE

Account receivables were comprised of the following as of year-end:

Tenant receivables	\$ 1,468
Allowance for doubtful accounts	-
Net Tenant Accounts Receivable	
Other receivables	<u>41,947</u>
Total	<u><u>\$ 43,415</u></u>

NOTE 04 - NOTES RECEIVABLE

Notes receivables were comprised of the following as of year-end:

Live Oak Pacific Associates II, LP

State tax credit proceed loan receivable due from a related party, Live Oak Pacific Associates II, L.P., a partnership in which the Corporation is named as the Managing General Partner of. The note is in the amount of \$1,100,458, bears no interest, and matures September 2064.

	<u>\$ 893,258</u>
Total Notes Receivable	<u><u>\$ 893,258</u></u>

Sutter Community Affordable Housing

Notes to Financial Statements
For the Year Ended March 31, 2025

NOTE 05 - CAPITAL ASSETS

A summary of the activity for capital assets is provided below:

	Balance 03/31/24	Additions	Deletions	Balance 03/31/25
Assets				
Land	\$ 45,061	\$ -	\$ -	\$ 45,061
Building and improvements	2,845,045	24,080	-	2,869,125
Furniture for project/tenant use	1,838	-	(1,838)	-
Total	2,891,944	24,080	(1,838)	2,914,186
Accumulated Depreciation	-	(2,270,767)	1,838	(2,268,929)
Net Property and Equipment	\$ 2,891,944	\$ (2,246,687)	\$ -	\$ 645,257

Depreciation expense for the year ended March 31, 2025, was \$103,407.

NOTE 06 - NOTES PAYABLE

Notes payables are summarized as follows:

Redevelopment Agency (RDA) Loan

Loan with the City of Yuba City, in the original amount of \$1,400,000, bearing simple interest at 3% per annum, payable from residual receipts, and matures March 2053. Secured by Towncenter Senior Manor apartments. Interest for the current year was \$39,708.

\$ 1,323,589

Home Investment Partnership (HOME) Loan

Loan with the City of Yuba City, in the original amount of \$673,367, bearing simple interest at 3% per annum, payable from residual receipts, and matures March 2053. Secured by Town Center Senior Manor apartments. Interest for the current year was \$20,201.

673,367

City of Yuba City Loan

Loan with the City of Yuba City, in the original amount of \$160,000, bearing no interest, payments deferred until maturity, and matures July 2056. Secured by Yolo/Heiken property.

160,000

Total Notes Payable

\$ 2,156,956

Principal payments on notes payable for the next five years and thereafter are estimated as follows:

Year Ended March 31,				
	2026		\$	-
	2027			-
	2028			-
	2029			-
	2030			-
	Thereafter			2,156,956
			\$	2,156,956

NOTE 07 - CONCENTRATION RISK

Housing Assistance Payments (HAP) Contract

The Corporation recorded \$216,197 of its revenues during the year ended March 31, 2025, from Regional Housing Authority under the terms of one or more HAP contracts which provide for rental assistance to the Corporation on behalf of low-income tenants who meet certain qualifications. The Corporation's future intentions and the future changes in HUD regulations and the appropriations of related funds are uncertain, and accordingly, it is not possible to determine the ultimate impact on the operations of the Corporation.

Geographic Location

The Corporation's operations and assets are concentrated in Yuba City, California.

NOTE 08 - RELATED-PARTY TRANSACTIONS

Regional Housing Authority

The Corporation is managed by Regional Housing Authority (the Authority). The management agreement allows for a management fee to be paid to the Authority that is to be approved annually by the Board. Management fees total \$31,620 for the year ended March 31, 2025.

The Corporation's insurance coverage is provided for under consolidated policies issued through conventional insurance providers and maintained by the Authority.

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.

Live Oak Pacific Associates, L.P.

The Corporation earned a partnership management fee of \$5,600 for the year ended March 31, 2025, from Live Oak Pacific Associates, L.P., a partnership in which the Corporation is named as the Managing General Partner with a 0.005% interest.

Live Oak Pacific Associates II, L.P.

The Corporation earned a partnership management fee of \$2,400 for the year ended March 31, 2025, from Live Oak Pacific Associates II, L.P., a partnership in which the Corporation is named as the Managing General Partner.

In addition, the Corporation has a note receivable with this entity. See Note 04 for further disclosure.

NOTE 09 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 790,233
Accounts receivable	<u>43,415</u>
Total	<u>\$ 833,648</u>

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments.

Sutter Community Affordable Housing

Notes to Financial Statements
For the Year Ended March 31, 2025

NOTE 10 - FUNCTIONAL EXPENSES

The Corporation provides low-income housing to its tenants. The cost of providing program services and supporting activities has been summarized on a functional basis in the table below. Expenses directly attributable to a specific functional activity are reported as expenses of those functional activities. There are no functional expenses that require allocation between activities.

Expense Line	Program Services		Supporting Services		Total
	Rental Operations	Management and General	Fund-raising		
Administrative	\$ 42,890	\$ 31,620	\$ -	\$ 74,510	
Utilities	38,290	-	-	38,290	
Operating and maintenance	92,662	-	-	92,662	
Taxes and insurance	22,752	-	-	22,752	
Financial	59,909	-	-	59,909	
Depreciation	103,407	-	-	103,407	
Total	\$ 359,910	\$ 31,620	\$ -	\$ 391,530	

NOTE 11 - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through July 20, 2025, the date on which the financial statements were available to be issued.

There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

NOTE 12 - CORRECTION TO BEGINNING NET ASSETS

The Corporation changed accounting presentation of investments and unearned revenue to follow guidance from FASB this resulted in a decrease to beginning net assets of \$328,500.

Sutter Community Affordable Housing

Financial Data Schedule

For the Year Ended March 31, 2025

Rental Revenue		
5120	Rent Revenue - Gross Potential	\$ 150,552
5121	Tenant Assistance Payments	216,197
5100T	Total Rent Revenue	366,749
5152N	Net Rental Revenue	366,749
5410	Financial Revenue - Project Operations	5,016
5400T	Total Financial Revenues	5,016
5910	Laundry and Vending Revenue	107
5920	Tenant Charges	4,007
5990	Miscellaneous Revenue	124,418
5900T	Total Other Revenue	128,532
5000T	Total Revenue	500,297
6204	Management Consultants	3,601
6310	Office Salaries	29,731
6311	Office Expenses	2,509
6320	Management Fee	31,620
6340	Legal Expense - Project	5,473
6370	Bad Debts	864
6390	Miscellaneous Administrative Expenses	712
6263T	Total Administrative Expenses	74,510
6450	Electricity	10,315
6451	Water	6,438
6452	Gas	553
6453	Sewer	20,984
6400T	Total Utilities Expense	38,290
6515	Supplies	5,517
6520	Contracts	73,656
6525	Garbage and Trash Removal	11,373
6570	Vehicle and Maintenance Equipment Operation and Repairs	2,116
6500T	Total Operating and Maintenance Expenses	92,662
6720	Property & Liability Insurance (Hazard)	16,613
6790	Miscellaneous Taxes, Licenses, Permits, and Insurance	6,139
6700T	Total Taxes and Insurances	22,752
6820	Interest on First Mortgage (or Bonds) Payable	59,909
6800T	Total Financial Expenses	59,909
6900T	Expenses	288,123
5060T	Profit (Loss) Before Depreciation Amortization Expense	212,174
6600	Depreciation	103,407
5060N	Operating Profit or (Loss)	108,767
7500T	Net Income or (Loss)	\$ 108,767