

AFFORDABLE HOUSING ASSOCIATION OF PITTSBURG
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2022



AFFORDABLE HOUSING ASSOCIATION OF PITTSBURG

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION))

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Affordable Housing Association of Pittsburg:

Opinion

We have audited the accompanying financial statements of Affordable Housing Association of Pittsburg (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Organization 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 opinion.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 generally accepted 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 the Organization 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 the Organization'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.



Los Angeles, California
May 8, 2023

AFFORDABLE HOUSING ASSOCIATION OF PITTSBURG

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30,

2022

Assets

Current Assets

Cash and cash equivalents	\$ 59,806
Tenant security deposits	5,622
Due from SHELTER	198,754

Total current assets	264,182
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Property and equipment, net	498,298
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Total assets	\$ 762,480
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Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 19,598
Tenant security deposits	5,862

Total current liabilities	25,460
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Net assets without donor restriction	737,020
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Total liabilities and net assets	\$ 762,480
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See accompanying notes to financial statements.

AFFORDABLE HOUSING ASSOCIATION OF PITTSBURG

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STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED JUNE 30,

2022

Without Donor Restrictions

Revenue and support

Rental revenue	\$ 297,531
Other income	158

Total revenue and support	297,689
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Expenses

Program services	207,519
Management and general	85,996

Total expenses	293,515
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Change in net asset without donor restrictions	4,174
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Net assets, beginning of year	732,846
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Net assets, end of year	\$ 737,020
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See accompanying notes to financial statements.

AFFORDABLE HOUSING ASSOCIATION OF PITTSBURG

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STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30,

2022

	Program Expenses	Management and General Expenses	Total
Salaries, benefits, and taxes	\$ 77,510	\$ -	\$ 77,510
Utilities	24,983	-	24,983
Repairs and maintenance	23,832	-	23,832
Travel and conference cost	600	-	600
Accounting fees	-	18,856	18,856
Property management fees	15,360	-	15,360
Other professional fees	7,956	-	7,956
Office expenses	6,331	-	6,331
Other operating expenses	742	-	742
Property taxes and insurance	20,284	-	20,284
Bad debt expense	-	67,140	67,140
Depreciation	29,921	-	29,921
Total expenses	\$ 207,519	\$ 85,996	\$ 293,515

See accompanying notes to financial statements.

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STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

2022

Cash flows from operating activities

Change in net assets	\$ 4,174
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	29,921
Provision for bad debt expense	67,140
Changes in operating assets and liabilities	
Accounts receivable	(411)
Prepaid expenses	6,661
Accounts payable and accrued expenses	4,845
Tenant security deposits liability	368

Net cash provided by operating activities 112,698

Cash flows from investing activities

Advance to SHELTER	(122,589)
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Cash used in investing activities (122,589)

Net change in cash, cash equivalents and restricted cash (9,891)

Cash, cash equivalents and restricted cash, beginning of year 75,319

Cash, cash equivalents and restricted cash, end of year \$ 65,428

Supplemental disclosure of cash, cash equivalents, and restricted cash:

Cash and cash equivalents	\$ 59,806
Tenant security deposits	5,622

Cash, cash equivalents, and restricted cash \$ 65,428

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

1. ORGANIZATION

Affordable Housing Association of Pittsburg, a California nonprofit public benefit corporation (AHAP or the Organization), was formed on May 8, 1997 to operate a 20-unit affordable housing complex known as the East Santa Fe Apartments (the Project) located in Pittsburg, California.

The Project was financed by a mortgage loan held by the U.S. Department of Housing and Urban Development (HUD) under the provisions of Section 236 of the National Affordable Housing Act. Such projects are subject to compliance with the requirements and regulations of HUD as to rent charges, operating methods, accounting procedures and other matters. That loan has since been paid off.

AHAP also receives Section 8 housing assistance payments from HUD under a contract that renews annually. AHAP is especially vulnerable to the inherent risks associated to revenue that is substantially dependent on government funding.

Members of the board of directors of AHAP also serve on the board of directors of SHELTER, Inc. (SHELTER), a nonprofit social service agency and operator of affordable housing. The bylaws of the Organization provide that SHELTER appoints all board members and board members serve without compensation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation 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 (US GAAP).

Classes of Net Assets Net assets of the Organization and changes therein are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes have been classified and are reported as follows:

Net Assets Without Donor Restrictions- Net assets not restricted by donor-imposed stipulations and are available for use at the discretion of the board of directors and/or management for general operating purposes. The only limits on net assets are broad limits resulting from the nature of the Organization and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements. There were no board-designated net assets as of June 30, 2022.

Net Assets With Donor Restrictions - The part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources will be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions for which donor-imposed restrictions are satisfied within the same fiscal year are reflected as without donor restrictions in the accompanying statement of activities and change in net assets. There were no donor-imposed restrictions as of June 30, 2022.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Cash and Cash Equivalents For purposes of the statement of financial position and cash flows, cash consists of cash and cash equivalents and highly liquid unrestricted investments with an original maturity of three months or less when purchased.

Restricted Deposits In accordance with HUD regulations, AHAP is required to maintain on-deposit funds equal to the related liability for tenant security deposits. Security deposits are held in a separate bank account in the name of AHAP.

Functional Allocation of Expenses The costs of providing various programs and other activities are summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on the management estimate. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of AHAP. Salaries and related expenses are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Expenses, other than salaries and related expense, which are not directly identifiable by program or support services, are allocated based on the best management's best estimate.

Revenue Recognition Rental revenues are recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Organization and its tenants are operating leases. Rental revenue includes other income from laundry, vending, pet and parking fees, and miscellaneous charges to tenants. Such other income is recognized when earned.

Tenant Accounts Receivable and Bad Debt Accounts receivable are charged against an allowance when they are deemed to be uncollectible. Management's estimate of the allowance is subject to revisions and based on historical collection experience and a review of the current status of the accounts receivable.

The California COVID-19 Tenant Relief Act and the COVID-19 Rental Housing Recovery Act (collectively, the Act) protects renters impacted financially as a result of COVID-19 by providing rental assistance applications through March 31, 2022 and a moratorium on evictions. In accordance with the Act, during 2022, the Organization applied \$22,211 of funds received to qualified tenants past due rents receivable.

Rental Subsidy AHAP has entered into a Housing Assistance Payment (HAP) contract with HUD under Section 8 of the United States Housing Act of 1937, which provides for rental assistance for 19 units and expires in November 2026. The aggregate amount earned in 2022 under the HAP contract was \$233,019 which are included in rental revenue in the accompanying statement of activities and change in net assets.

Contributed Goods and Services Contributed goods and services are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, and would typically need to be purchased if not provided by donation. For the year ended June 30, 2022, the Organization had no contributed goods or services.

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JUNE 30, 2022

Property and Equipment Property and equipment are stated at cost if purchased. Donated assets are recorded at fair market value when donated. Depreciation of building, furniture and equipment, is provided over the estimated useful life of the related assets on a straight-line basis.

Estimated useful lives of the related assets are as follows:

Description	Life
Building	30 to 40 years
Building improvements	10 to 30 years
Furniture and equipment	5 to 10 years

When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any profit or loss arising from such disposition is recorded as a gain or loss. The Organization capitalizes expenditures or betterments that materially increase asset lives and charges ordinary repairs and maintenance to operations as incurred.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. No impairment losses were recognized in 2022.

Income Taxes The Organization is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and the corresponding sections of the California Revenue and Taxation Code. In addition, the Organization does not have any income which they believe would subject it to unrelated business income taxes.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 740, *Uncertainty in Income Taxes* (ASC 740), the Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. During the year ended June 30, 2022, the Organization performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which may have an effect on its tax-exempt status.

The Organization's income tax returns remain subject to examination for all tax years ended on or after June 30, 2017 with regard to all tax positions and the results reported. No examinations are currently pending.

Concentration of Business and Credit Risk AHAP maintains cash in bank accounts, which may exceed federally insured limits. AHAP's cash and cash equivalents are maintained in one bank. AHAP has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. At June 30, 2022, AHAP did not have cash in the bank in excess of federally insured limits. AHAP believes that its credit risk is not significant.

AHAP rents to people with qualifying levels of income. AHAP is subject to business risks associated with the economy and level of unemployment in the county, as well as available rental subsidies, which

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affect occupancy as well as the tenants' ability to make rental payments. In addition, the organization operates in a heavily regulated environment. The operations of AHAP are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Property Tax Exemption AHAP is generally exempt from real property taxes. In the event such exemption is not renewed or no longer available, AHAP's cash flow would be negatively impacted.

Use of Estimates The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of Accounting Principle Effective July 1, 2021, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2020-07). The ASU is intended to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including services, and includes additional disclosure requirements for recognized contributed services. The adoption of ASU 2020-07 did not have a material impact on the Organization's financial statements.

Recently Issued Accounting Pronouncements In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability, measured on a discounted basis, on the statement of financial position for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities and change in net assets. A modified retrospective transition approach is required for capital and operating leases existing at the date of adoption, with certain practical expedients available. The standard is effective for annual reporting periods beginning after December 15, 2021. The use of either the retrospective or cumulative effect transition method is permitted. The Organization is currently evaluating the impact the adoption of ASU 2016-02 on July 1, 2022 will have on its financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

As of June 30,	2022
Land	\$ 350,763
Building and improvements	698,936
Furniture and equipment	20,644
Total property and equipment	1,070,343
Less: accumulated depreciation	(572,045)
Total property and equipment, net	\$ 498,298

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Depreciation expense for the year ended June 30, 2022 is \$29,921. Substantially all the property and equipment are used to provide affordable housing.

4. RELATED PARTY TRANSACTIONS

Related party transactions include the following fees and charges:

Management Fee In accordance with the Housing Management Agreement, AHAP is to pay SHELTER a management fee in connection with the leasing and operation of the Project. For the year ended June 30, 2022, \$15,360 was charged to operations.

Other Fees AHAP is required to pay a fee of \$1,800 for the year ended June 30, 2022 to SHELTER for bookkeeping services provided. Additionally, \$77,510 was also paid to SHELTER for maintenance, janitorial, and resident manager's salaries and related expenses on behalf of the Organization for the year ended June 30, 2022.

Due from SHELTER The Organization reimburses SHELTER for payroll and other operating expenses. During the year ended June 30, 2022, excess funds were advanced to SHELTER. These advances are non-interest bearing and due on demand.

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

AHAP structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets available for general expenditures, that is, funds without donor restrictions or other restrictions limiting their use that will pay for operating expenses within one year of the statement of financial position date, comprise the following:

	Amount
Cash and cash equivalents	\$ 59,806
Due from SHELTER	198,754
Financial assets available to meet cash needs for general expenditure within one year	\$ 258,560

AHAP's revenue comes from the reimbursement by the U.S. Department of Housing and Urban Development (HUD). All of the cash and cash equivalents and receivable are available for AHAP's current year operation expense. AHAP has a goal to maintain sufficient financial assets on hand, which consists of cash and receivables. Based on projected estimates, AHAP has sufficient liquid assets to cover its current liabilities.

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events that have occurred through the date of the independent auditor's report, which is the date that the financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements.