Bay Area Housing Corporation and Affiliates

Consolidated Financial Statements
and Supplementary Information
and Other Audit Report

June 30, 2022
(With Comparative Totals for 2021)

armanino

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bay Area Housing Corporation and Affiliates
Los Gatos, California

Opinion

We have audited the accompanying consolidated financial statements of Bay Area Housing Corporation (a California nonprofit corporation) and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bay Area Housing Corporation and Affiliates as of June 30, 2022, and the changes in their net assets and their 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 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 Bay Area Housing Corporation 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 opinion.

Adjustments to Prior Period Financial Statements

As discussed in Note 15 to the financial statements, it was discovered that contributions previously recognized as without donor restrictions should have been recognized as with donor restrictions. Accordingly, the Organization has restated its 2021 financial statements during the current year to properly classify net assets as of June 30, 2021. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bay Area Housing Corporation's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 and *Government 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, including omissions, 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 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 consolidated 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 consolidated 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 Bay Area Housing Corporation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bay Area Housing Corporation'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 an opinion on the consolidated financial statements as a whole. The information on pages 30 - 32 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Bay Area Housing Corporation's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Jose, California

February 20, 2023

Bay Area Housing Corporation and Affiliates
Consolidated Statement of Financial Position
June 30, 2022
(With Comparative Totals for 2021)

	2022	(Restated) 2021
ASSETS		
Current assets		
Cash	$ 2,019,907	$ 1,533,650
Accounts receivable	394,260	276,007
Contributions and grants receivable	9,747	12,747
Note receivable - West Bay Housing Corporation, current portion	39,888	37,381
Prepaid expenses and deposits	45,089	21,292
Total current assets	2,508,891	1,881,077
Property and equipment, net	58,765,927	59,617,108
Other assets		
Note receivable - West Bay Housing Corporation, net of current portion	48,203	89,324
Housing predevelopment funds	162,194	135,055
Replacement reserves	1,473,963	1,423,342
Operating reserve	68,257	66,887
Surplus funds reserve	721,811	722,242
Debt service reserve	4,280,110	4,280,109
Total other assets	6,754,538	6,716,959
Total assets	$ 68,029,356	$ 68,215,144

The accompanying notes are an integral part of these consolidated financial statements.

Bay Area Housing Corporation and Affiliates
Consolidated Statement of Financial Position
June 30, 2022
(With Comparative Totals for 2021)

	2022	(Restated) 2021
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 240,226	$ 48,922
Deferred revenue	389,578	387,042
CHFFA bonds payable, current portion	3,440,133	3,225,122
Mortgages and notes payable, current portion	150,220	120,855
Accrued interest, current portion	80,000	70,000
Total current liabilities	4,300,157	3,851,941
Long-term liabilities		
CHFFA bonds payable, net of current portion	9,076,154	12,377,159
Mortgages and notes payable, net of current portion	9,394,931	8,997,333
Accrued interest, net of current portion	403,811	383,791
Total long-term liabilities	18,874,896	21,758,283
Total liabilities	23,175,053	25,610,224
Net assets		
Without donor restrictions		
Operating fund	1,278,921	953,941
Restricted deposits and reserves	6,544,141	6,492,580
Property and equipment fund	30,586,005	29,191,375
Total without donor restrictions	38,409,067	36,637,896
With donor restrictions		
Home modification fund	76,467	-
Housing predevelopment fund	250,285	261,760
Property and equipment fund	6,118,484	5,705,264
Total with donor restrictions	6,445,236	5,967,024
Total net assets	44,854,303	42,604,920
Total liabilities and net assets	$ 68,029,356	$ 68,215,144

The accompanying notes are an integral part of these consolidated financial statements.

Bay Area Housing Corporation and Affiliates
Consolidated Statement of Activities
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	(Restated) 2021 Total
Support and revenue				
Rental income	$ 5,811,215	$ -	$ 5,811,215	$ 5,815,594
Property management income	1,390,264	-	1,390,264	1,205,201
Contributions and grants	624,076	510,000	1,134,076	904,026
Special events, net of $15,257 event expenses	-	76,467	76,467	-
Forgiveness of Paycheck Protection Program loan	-	-	-	114,332
Other income	59,992	-	59,992	26,239
Interest income	967	3,546	4,513	5,411
Loss on sale and disposal of property and equipment	(1,236,523)	-	(1,236,523)	(4,575)
Net assets released from restriction	111,801	(111,801)	-	-
Total support and revenue	6,761,792	478,212	7,240,004	8,066,228
Functional expenses				
Program services				
Project development	364,814	-	364,814	406,285
Property management	4,157,893	-	4,157,893	4,196,726
Total program services	4,522,707	-	4,522,707	4,603,011
Support services				
Management and general	293,108	-	293,108	286,392
Fundraising	174,806	-	174,806	147,348
Total support services	467,914	-	467,914	433,740
Total functional expenses	4,990,621	-	4,990,621	5,036,751
Change in net assets	1,771,171	478,212	2,249,383	3,029,477
Net assets, beginning of year	36,637,896	5,967,024	42,604,920	39,575,443
Net assets, end of year	$ 38,409,067	$ 6,445,236	$ 44,854,303	$ 42,604,920

The accompanying notes are an integral part of these consolidated financial statements.

Bay Area Housing Corporation and Affiliates
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Program Services			Support Services			
	Project Development	Property Management	Total Program Services	Management and General	Fundraising	2022 Total	2021 Total
Personnel expenses							
Salaries	$ 245,174	$ 174,526	$ 419,700	$ 119,611	$ 102,338	$ 641,649	$ 707,412
Payroll taxes and benefits	44,515	31,688	76,203	21,717	18,580	116,500	105,023
Total personnel expenses	289,689	206,214	495,903	141,328	120,918	758,149	812,435
Interest	-	1,617,194	1,617,194	-	-	1,617,194	1,810,501
Depreciation	-	1,094,391	1,094,391	-	-	1,094,391	1,085,614
Repairs and maintenance	-	820,245	820,245	-	-	820,245	644,301
Property taxes	-	303,602	303,602	-	-	303,602	323,724
Insurance	34,497	97,643	132,140	16,830	14,399	163,369	155,345
Professional services	-	-	-	109,209	28,800	138,009	88,949
Rent	12,760	9,083	21,843	6,225	5,327	33,395	33,395
Office expense	5,952	4,237	10,189	2,904	2,485	15,578	17,577
Pre-development expenses	15,021	-	15,021	-	-	15,021	31,879
Telephone	5,626	4,005	9,631	2,745	2,348	14,724	14,590
California LLC taxes	-	-	-	7,870	-	7,870	7,600
Miscellaneous	-	-	-	4,400	-	4,400	3,927
Travel and conferences	1,269	903	2,172	619	529	3,320	4,223
Utilities	-	-	-	978	-	978	2,691
Bad debt expense	-	376	376	-	-	376	-
	$ 364,814	$ 4,157,893	$ 4,522,707	$ 293,108	$ 174,806	$ 4,990,621	$ 5,036,751
Percentage of total	7.3 %	83.3 %	90.6 %	5.9 %	3.5 %	100 %	

The accompanying notes are an integral part of these consolidated financial statements.

Bay Area Housing Corporation and Affiliates
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 2,249,383	$ 3,029,477
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Proceeds from grants restricted for purchase of property and equipment	(1,108,000)	(885,574)
Depreciation	1,094,391	1,085,614
Amortization of debt issuance costs	174,646	174,377
Forgiveness of Paycheck Protection Program loan	-	(114,332)
Loss on sale and disposal of property and equipment	1,236,523	4,575
Changes in operating assets and liabilities		
Accounts receivable	(118,253)	(7,289)
Contributions and grants receivable	3,000	-
Prepaid expenses and deposits	(23,797)	9,284
Accounts payable and accrued expenses	(6,754)	(21,375)
Deferred revenue	2,536	14,856
Accrued interest	30,020	30,020
Net cash provided by operating activities	3,533,695	3,319,633
Cash flows from investing activities		
Purchase of property and equipment	(1,281,678)	(1,611,204)
Payments received on notes receivable - WBHC	38,614	34,312
Net cash used in investing activities	(1,243,064)	(1,576,892)
Cash flows from financing activities		
Payment for debt issuance costs	(16,358)	(17,359)
Proceeds from mortgages and notes payable	570,000	622,102
Payments on mortgages and notes payable	(133,878)	(113,666)
Payments on bonds payable	(3,253,438)	(3,058,321)
Proceeds from grants restricted for purchase of property and equipment	1,108,000	885,574
Net cash used in financing activities	(1,725,674)	(1,681,670)
Net increase in cash	564,957	61,071
Cash and restricted cash, beginning of year	8,161,285	8,100,214
Cash and restricted cash, end of year	$ 8,726,242	$ 8,161,285

The accompanying notes are an integral part of these consolidated financial statements.

Bay Area Housing Corporation and Affiliates
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash and restricted cash consisted of the following:		
Cash	$ 2,019,907	$ 1,533,650
Housing predevelopment funds	162,194	135,055
Replacement reserves	1,473,963	1,423,342
Operating reserve	68,257	66,887
Surplus funds reserve	721,811	722,242
Debt service reserve	4,280,110	4,280,109
	$ 8,726,242	$ 8,161,285

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 1,461,106	$ 1,606,104

Supplemental schedule of noncash investing and financing activities

Construction in progress included in accounts payable and accrued expenses	$ 198,055	$ -

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF ACTIVITIES

Bay Area Housing Corporation ("BAHC" or the "Organization") was established in April 2003 in response to the need of housing solutions for the individuals being displaced by the closure of Agnews Developmental Center.

The mission was to develop and maintain housing, scattered within the community, which would provide a safe, supportive environment for people with intellectual and developmental disabilities.

BAHC's history

In cooperation with the Department of Developmental Services, San Andreas Regional Center ("SARC") and Golden Gate Regional Center ("GGRC"), the Organization has developed a well-respected housing organization with a financially sustainable portfolio.

BAHC currently owns 49, scattered site, single family homes in the Bay Area. Homes will provide permanent housing opportunities for a vulnerable and often invisible part of the Bay Area community. Current capacity provides specialized housing for up to 195 individuals at any one time. Over the years, BAHC's homes have been a safe, supportive home for an estimated 400 people, and will continue to be a community resource into the future.

Casa Milagro

In 2007, the Organization formed a limited liability company, Casa Milagro, LLC. This LLC holds the 32 homes acquired under the Bay Area Housing Plan, between 2003 and 2011. These properties were refinanced with a 15 year bond issued in 2011.

Mas Milagros

In 2010, the Organization formed another limited liability company, Mas Milagros, LLC. This LLC holds 4 properties, acquired between 2011 and 2015. These properties have "forgivable" loans from City and County of Santa Clara, and are encumbered by restrictive covenants. Interest is accrued annually, however no payments are made and loans will be forgiven over time.

CPP properties

CPP holds 13 properties acquired under the Community Placement Plan ("CPP"), between 2016 and 2022. These properties were financed with a combination of grants from the State of California Department of Developmental Service ("DDS") and commercial loans. In fiscal year 2021-22 the Organization added one home to the CPP portfolio. Renovations continued after the year ended June 30, 2022. BAHC is actively working to acquire and renovate one additional CPP home in the year ending June 30, 2023.

1. NATURE OF ACTIVITIES (continued)

Primary sources of revenues

The Organization's primary sources of revenue are rental income from the 49 homes and associated property management fees. A long-term lease agreement has been entered into with Tenants ("Service Providers") sponsored by SARC and paid with state appropriated funds. These funds are obligated under state law to provide services to persons with developmental disabilities. The Organization also offers property management services for low-income properties and special projects, such as construction management, and providing consultation for creating and managing customized housing for persons with developmental disabilities.

In fiscal 2021-22, the Organization increased fundraising activities, raising money specifically intended to assist low-income individuals with intellectual and developmental disabilities who require modifications to their homes to improve quality of life.

In general

Since its inception, the Organization has sustained an experienced, supportive Board of Directors consisting primarily of parents of children with developmental disabilities.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Not-for-profits that: 1) have a majority of voting interest; 2) have economic interest; and 3) exercise economic control over a related entity, are required to consolidate their financial statements. Casa Milagro, LLC and Mas Milagros, LLC meet the above criteria and are consolidated into the Organization's financial statements. The two LLCs, of which the Organization is the sole member, are California limited liability companies operated exclusively to further the tax exempt charitable purposes of the sole member. All significant intercompany transactions have been eliminated.

Method of accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

The Organization reports 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* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.
- *Net assets with donor restrictions* - include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting year (see Note 14). Net assets held in perpetuity include those assets which are subject to a non-expiring donor restriction, such as endowments. There are no net assets held in perpetuity as of June 30, 2022 and 2021.

Use of estimates

The presentation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the expected useful lives of property and equipment, and the determination of functional expense allocations.

Cash and cash equivalents

Cash consists of cash on hand and cash in demand deposit accounts. Not included in cash are funds restricted as to their use, regardless of their liquidity. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. The Organization's cash balance included no cash equivalents as of June 30, 2022 and 2021.

The Organization maintains its cash in bank deposit accounts which exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Receivables and allowance for doubtful accounts

The Organization uses the specific write-off method to provide for doubtful accounts since management's estimation indicates an allowance for such accounts is immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

All property and equipment are stated at cost, or if donated, recorded as support at the estimated fair value at the time of donation. Major improvements or additions over $2,500 are charged to the property and equipment accounts. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Impairment of long-lived assets

The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2022 and 2021, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

Depreciation

Depreciation is computed based on the straight-line method over the estimated useful lives of fixed assets, which range from 3 to 40 years (see Note 5).

Contributions and grants

Contributions and grants are recorded as revenue without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Contributions and grants with donor restrictions are reported as an increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Contributions and grants including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, which is when donor stipulated barriers are overcome and the Organization is entitled to the assets transferred or promised.

Revenue recognition

The Organization follows the following steps to determine revenue recognition for program income including property management:

- Identifying the contract(s) with a customer,

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- Identifying the performance obligations in the contract(s),
- Determining the transaction price,
- Allocating the transaction price to the performance obligations in the contract(s), and
- Recognizing revenue when, or as, the Organization satisfies a performance obligation.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of the debt issuance costs is calculated using the straight-line method, which approximates the effective interest method and is reported as a component of interest expense.

Retirement plan

The Organization has a Simple IRA retirement plan, which covers substantially all full-time employees. The Organization contributes up to 3% of an eligible employee's gross salary. The contribution for the years ended June 30, 2022 and 2021 was $14,183 and $12,155, respectively.

Functional expense allocations

Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are charged to programs and support services on the basis of salary expense. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income tax status

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns and its state limited liability company tax returns are more likely than not to be sustained upon examination.

The Organization files information returns in the U.S. federal jurisdiction and state of California. The Organization's federal returns for the previous 3 years remain subject to examination by the Internal Revenue Service. The Organization's California returns for the previous 4 years remain subject to examination by the Franchise Tax Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summarized comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional revenue and expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements for the year ended June 30, 2021 for comparative purposes to conform with the presentation in the current year consolidated financial statements.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2022 for potential recognition or disclosure in the consolidated financial statements. The Organization did not have subsequent events that required recognition or disclosure in the consolidated financial statements for the fiscal year ended June 30, 2022. Subsequent events have been evaluated through the date the consolidated financial statements became available to be issued, February 20, 2023.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Organization's liquidity management, it structures its financial assets to be available as its operating expenditures, liabilities, and other obligations come due.

To meet liquidity needs, the Organization maintains adequate levels of cash and cash equivalents available. Accounts receivable, contributions and grants receivable, and note receivable - West Bay Housing Corporation that are considered current will be collected within one year.

In addition, the Organization maintains funds in reserves for operating and replacement accounts. These funds are used for the benefit of the tenants and/or the Organization. Such funds are not considered by the Organization to have donor restrictions. If there are emergency replacements and repairs that cannot be covered by operating cash, the Organization can request funds to be temporarily released from the reserve accounts. Funds will then be returned back to the reserve accounts once operating cash becomes available.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2022 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash	$ 2,019,907
Accounts receivable	394,260
Contributions and grants receivable	9,747
Note receivable - West Bay Housing Corporation	88,091
Housing predevelopment funds	162,194
	2,674,199
Less: amounts unavailable to meet cash needs for general expenditures	
Funds subject to purpose restriction - Home modification fund	(76,467)
Funds subject to purpose restriction - Housing predevelopment fund	(250,285)
	(326,752)
	$ 2,347,447

4. NOTE RECEIVABLE

West Bay Housing Corporation

The Organization advanced $500,000 to West Bay Housing Corporation ("WBHC") per authorization of the Steering Committee of the Bay Area Housing Plan for the purchase of properties pursuant to the Bay Area Housing Plan. The source of the funds is the SARC housing predevelopment advance (see Note 7). The advance to WBHC is subject to the conditions established in a promissory note agreement between WBHC and the Organization dated July 20, 2009. Monthly payments of principal and interest of $3,513 are due through July 2024 at an interest rate of 3.25% per annum. The balance of the note receivable from WBHC is $88,091 and $126,705 as of June 30, 2022 and 2021, respectively. Interest earned and received for the years ended June 30, 2022 and 2021 totaling of $3,546 and $4,335, respectively, is restricted for related predevelopment expenses.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2022	2021
Land	$ 25,467,554	$ 26,704,077
Land improvements	825,398	825,398
Buildings and building improvements	41,735,422	41,721,871
Furniture and fixtures	17,826	17,826
Construction in progress	2,551,782	1,085,600
	70,597,982	70,354,772
Accumulated depreciation	(11,832,055)	(10,737,664)
	$ 58,765,927	$ 59,617,108

Depreciation expense for the years ended June 30, 2022 and 2021 was $1,094,391 and $1,085,614, respectively.

6. RESTRICTED DEPOSITS AND RESERVES

Housing predevelopment funds

The Organization holds housing predevelopment funds available for disbursement. The balance as of June 30, 2022 and 2021 was $162,194 and $135,055, respectively (see Note 7).

Replacement reserves

The Organization is required to maintain reserves for capital improvements, maintenance, repair and replacement of major components of its properties, to be funded on a monthly basis at varying rates per property ranging from $2,400 to $3,600 per year. Disbursements from the reserve require prior approval from the lender and/or SARC.

The replacement reserves activity detail is as follows:

	2022	2021
Balance, beginning of year	$ 1,423,342	$ 1,444,476
Monthly funding and interest earned	160,511	153,717
Authorized withdrawals	(109,890)	(174,851)
Balance, end of year	$ 1,473,963	$ 1,423,342

Interest included in reserves at June 30, 2022 and 2021, was $911 and $1,077, respectively.

6. RESTRICTED DEPOSITS AND RESERVES (continued)

Operating reserve

The Organization acquired 455 Cypress Avenue located in San Jose by assuming the seller's outstanding loans on the property, and carried operating reserves along with the loans. Reserves consist of unrestricted funds. The balance as of June 30, 2022 and 2021 was $68,257 and $66,887, respectively.

Surplus funds reserve

The surplus funds reserve, also known as the prepayment account, represents the accumulation of funds from rents which proved to be higher than the property taxes they were meant to pay. Currently the Organization uses the surplus funds reserve to pay two types of expenses: (1) maintenance and repair expenses as provided for in the November 2016 BAHP HOMES: Policies and Procedures for Maintenance Services and Repairs; and (2) certain professional fees and bank charges associated with Casa Milagro's ownership of 32 BAHP properties. The balance in the surplus funds reserve amounted to $721,811 and $722,242, as of June 30, 2022 and 2021, respectively.

Debt service reserve

Concurrent with the bond refinancing (see Note 9), $4,269,387 was deposited to a debt service reserve fund held in trust by the bond trustee. As of June 30, 2022 and 2021, the reserve was $4,280,110 and $4,280,109, respectively.

7. HOUSING PREDEVELOPMENT FUND ADVANCE

SARC made available a fund, originally in the amount of $3,360,672 to be used for housing predevelopment costs as outlined in a Bay Area Housing Plan agreement in which BAHC was the trustee. The funds were primarily lent out for the development of housing and repaid with interest. During the year ended June 30, 2018, all funds less authorized expenditures were repaid to SARC after the plan was fully implemented. All interest earned is restricted for housing predevelopment purposes and included in the net assets with donor restrictions balance (see Notes 4 and 14).

7. HOUSING PREDEVELOPMENT FUND ADVANCE (continued)

The fund balance detail is as follows:

	2022	2021
Fund assets		
Note receivable - West Bay Housing Corporation	$ 88,091	$ 126,705
Housing predevelopment funds	162,194	135,055
	$ 250,285	$ 261,760
Fund net assets		
Net assets with donor restrictions - housing predevelopment fund interest income	$ 250,285	$ 261,760
	$ 250,285	$ 261,760

8. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

On April 15, 2020, the Organization received loan proceeds of $114,332 from a promissory note issued by Santa Cruz County Bank under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and was administered by the U.S. Small Business Administration ("SBA"). The term on the loan was two years and the annual interest rate was 1.00%. Payments of principal and interest were deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan proceeds. Such forgiveness is determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

The Organization received formal forgiveness for the PPP loan on April 15, 2021 and recognized $114,332 as Forgiveness of Paycheck Protection Program loan on the consolidated statement of activities for the year ended June 30, 2021.

9. CHFFA BONDS PAYABLE

The Organization refinanced its indebtedness on 32 homes under a loan agreement dated February 1, 2011 between Casa Milagro, LLC and California Health Facilities Financing Authority ("CHFFA"), a public instrumentality of the State of California, using proceeds allocated from its issuance of Tax-Exempt Series 2011A and Taxable Series 2011B Insured Revenue Bonds (Community Program for Persons with Developmental Disabilities), pursuant to the Bay Area Housing Plan. The total amount allocated to Casa Milagro, LLC net of premium and discount was $41,610,258. The bond debt is fully amortizable over a fifteen-year term with payments of principal and interest due monthly in the amount of $359,130 through February 1, 2026. Interest rates range from 2.12% in year one to 7.88% in year fifteen. The loan is secured by the underlying properties.

Bonds payable consisted of the following:

	2022	2021
Bonds payable	$ 13,034,192	$ 16,261,430
Unamortized bond premium and discount, net	96,068	122,268
	13,130,260	16,383,698
Less: current portion	(3,440,133)	(3,225,122)
Less: unamortized debt issuance cost	(613,973)	(781,417)
	$ 9,076,154	$ 12,377,159

The future maturities of the bonds payable are as follows:

Year ending June 30,	
2023	$ 3,440,133
2024	3,666,135
2025	3,910,755
2026	2,017,169
	$ 13,034,192

Interest expense on the bonds for the years ended June 30, 2022 and 2021 was $1,056,125 and $1,251,240, respectively. Amortization of debt issuance costs on the bonds for the years ended June 30, 2022 and 2021 was $167,447 and $167,447, respectively.

10. MORTGAGES AND NOTES PAYABLE

Mortgages and notes payable are detailed as follows:

	2022	2021
City of Santa Clara RDA note (2010) - The Organization assumed debt with the City of Santa Clara Redevelopment Agency through a loan assignment and assumption agreement dated November 9, 2010, in exchange for property acquired from Bracher HDC, Inc. The note accrues simple interest at the rate of 2% per annum. Payments of $10,000 are due annually starting on December 1, 2015, to be applied to accrued and current interest first. All unpaid principal and interest is due at maturity on August 1, 2033.	$ 1,246,000	$ 1,246,000
City of Santa Clara RDA loan (2012) - Mas Milagros, LLC assumed a note with the City of Santa Clara Redevelopment Agency through a loan assignment and assumption agreement dated August 28, 2012, in exchange for property acquired from Senior Housing Solutions. The note, bearing no interest, is due at maturity on August 31, 2065.	393,858	393,858
City of Santa Clara HOME loan - Mas Milagros, LLC assumed a note with the City of Santa Clara through a loan assignment and assumption agreement dated August 28, 2012, in exchange for property acquired from Senior Housing Solutions. The note, bearing no interest, is due at maturity on July 13, 2030. As long as the property continues to be used to provide affordable housing and services to extremely low income persons with developmental disabilities, no repayment is required to the City.	488,244	488,244

10. MORTGAGES AND NOTES PAYABLE (continued)

	2022	2021
County of Santa Clara HOME loan - Mas Milagros, LLC ("Mas") assumed a note with the County of Santa Clara through a loan assignment and assumption agreement dated August 21, 2012, in exchange for property acquired from Senior Housing Solutions. The note, bearing 3% interest, is due at maturity on July 13, 2065. Payments of principal and interest are contingent on the availability of residual receipts as defied in the note. Residual receipts are kept by Mas until the threshold of $25,000 is reached. Once the threshold is attained, 50% of Residual Receipts will be used to make payments to the County of Santa Clara HOME loan.	170,000	170,000
Housing Trust loan - Mas Milagros, LLC assumed a note with the Opportunity Fund Northern California through a loan assignment and assumption agreement dated June 5, 2012, in exchange for property acquired from Senior Housing Solutions. The loan was assigned to Housing Trust Silicon Valley on January 1, 2013. The note bears no interest. Mas has an option to keep residual receipts as defied in the note, or use 100% of residual receipts to pay down the note. Unpaid principal is due at maturity on August 1, 2065.	100,000	100,000
First Republic Bank loan - the Organization entered into a loan agreement dated April 12, 2017, in the amount of $404,799, bearing 4.5% simple interest, to acquire a property located in South San Francisco. In June 2017 monthly payments of principal and interest in the amount of $2,051 commenced. Final payment of all outstanding principal and interest shall be made May 1, 2047.	368,339	376,184
First Republic Bank loan - the Organization entered into a loan agreement dated May 24, 2017, in the amount of $584,000, bearing 4.5% simple interest, to acquire a property located in Daly City. In July 2017 monthly payments of principal and interest in the amount of $2,595 commenced. Final payment of all outstanding principal and interest shall be made June 1, 2047.	532,362	543,637

10. MORTGAGES AND NOTES PAYABLE (continued)

	2022	2021
Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated December 2, 2016, in the amount of $615,038, bearing 6.0% simple interest, to acquire a property located in San Martin. In February 2017 monthly payments of principal and interest in the amount of $3,721 commenced. Final payment of all outstanding principal and interest shall be made January 1, 2047.	569,639	579,367
Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated April 18, 2017, in the amount of $593,722, bearing 6.15% simple interest, to acquire a property located in Morgan Hill. In June 2017 monthly payments of principal and interest in the amount of $3,794 commenced. Final payment of all outstanding principal and interest shall be made May 1, 2044.	540,141	551,598
Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated April 18, 2017, in the amount of $560,267, bearing 6.15% simple interest, to acquire a property located in Morgan Hill. In June 2017 monthly payments of principal and interest in the amount of $3,581 commenced. Final payment of all outstanding principal and interest shall be made May 1, 2044.	509,705	520,517
Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated December 9, 2016, in the amount of $666,000, bearing 6.15% simple interest, to acquire a property located in San Martin. In February 2017 monthly payments of principal and interest in the amount of $4,030 commenced. Final payment of all outstanding principal and interest shall be made January 1, 2047.	617,201	627,659

10. MORTGAGES AND NOTES PAYABLE (continued)

	2022	2021
Santa Cruz County Bank - the Organization entered into a loan agreement dated September 19, 2016, in the amount of $611,500, bearing 6.5% simple interest, to acquire a property located in Santa Cruz. In November 2016 monthly payments of principal and interest in the amount of $3,903 commenced. Final payment of all outstanding principal and interest shall be made October 5, 2046.	566,520	575,687
First Republic Bank loan - the Organization entered into a loan agreement dated July 5, 2017, in the amount of $811,292, bearing 4.5% simple interest, to acquire a property located in San Jose. In September 2017 monthly payments of principal and interest in the amount of $4,111 commenced. Final payment of all outstanding principal and interest shall be made August 1, 2047.	742,216	757,764
Santa Cruz County Bank - the Organization entered into a loan agreement dated September 25, 2018, in the amount of $535,000, bearing 6.5% simple interest, to acquire a property located in Hollister. In October 2018 monthly payments of principal and interest in the amount of $3,599 commenced. Final payment of all outstanding principal and interest shall be made September 5, 2043.	500,848	511,201
Santa Cruz County Bank - the Organization entered into a loan agreement dated March 11, 2019, in the amount of $640,000, bearing 6.5% simple interest, to acquire a property located in Hollister. In April 2019 monthly payments of principal and interest in the amount of $4,044 commenced. Final payment of all outstanding principal and interest shall be made March 5, 2049.	611,464	620,052
Choice Financial Group - the Organization entered into a loan agreement dated December 20, 2019, in the amount of $660,000, bearing 5.0% simple interest, to acquire a property located in San Juan Bautista. In February 2020 monthly payments of principal and interest in the amount of $3,543 commenced. Final payment of all outstanding principal and interest shall be made January 1, 2050.	635,609	646,060

10. MORTGAGES AND NOTES PAYABLE (continued)

	2022	2021
Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated December 7, 2020, in the amount of $622,102, bearing 5.75% simple interest, to acquire a property located in Watsonville. In February 2021 monthly payments of principal and interest in the amount of $4,099 commenced. Final payment of all outstanding principal and interest shall be made January 1, 2044.	603,928	617,467
Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated November 29, 2021, in the amount of $570,000, bearing 5.75% simple interest, to acquire a property located in Watsonville. In February 2022 monthly payments of principal and interest in the amount of $3,837 commenced. Final payment of all outstanding principal and interest shall be made January 1, 2044.	565,343	-
	9,761,417	9,325,295
Less unamortized debt issuance costs	(216,266)	(207,107)
	9,545,151	9,118,188
Current portion	(150,220)	(120,855)
	$ 9,394,931	$ 8,997,333

The future maturities of the mortgages and notes payable are as follows:

Year ending June 30,	
2023	$ 150,220
2024	158,126
2025	168,188
2026	178,006
2027	189,062
Thereafter	8,917,815
	$ 9,761,417

Amortization of debt issuance costs on the mortgages and notes for the years ended June 30, 2022 and 2021 was $7,199 and $6,930, respectively.

11. ACCRUED INTEREST

Accrued interest consisted of the following:

	2022	2021
City of Santa Clara RDA note (2010)	$ 433,761	$ 408,841
County of Santa Clara HOME loan	50,050	44,950
	483,811	453,791
Accrued interest, current portion	(80,000)	(70,000)
	$ 403,811	$ 383,791

12. INTEREST EXPENSE

Interest expense consisted of the following:

	2022	2021
CHFFA bonds	$ 1,056,125	$ 1,251,240
City of Santa Clara RDA note (2010)	24,920	24,920
County of Santa Clara HOME loan	5,100	5,100
CPP Properties various loans	356,403	354,864
Amortization of debt issuance costs	174,646	174,377
	$ 1,617,194	$ 1,810,501

$48,578 and $22,886 of interest incurred for the years ended June 30, 2022 and 2021, was respectively capitalized to property costs.

13. FORGIVABLE LOANS

The Organization received forgivable loans from the State of California Department of Developmental Service ("DDS") through its Community Placement Program ("CPP"), for the purpose of furthering the Organization's mission. The funds assist the Organization in the acquisition of rental housing properties for the benefit of persons with intellectual and developmental disabilities (see Note 1). For so long as the Organization is not in default on the 30th anniversary of the date the deed of trust is recorded as a lien encumbering each property, the loans will be forgiven in full. These loans are considered forgiven upon completion of the acquisition of certain rental properties, due to management's intent and reasonable assurance to comply with certain terms and conditions of the loans throughout the loan terms. These loans have been accounted for as contributions and grants income and included in unrestricted net assets when acquisitions were completed. During the year ended June 30, 2022, the Organization became aware of a need to reclassify the restricted use of rental properties on its forgivable loans (see Note 15). The total principal balance of the forgiven loans as of June 30, 2022 and 2021 was $6,901,196 and $6,351,196, respectively.

13. FORGIVABLE LOANS (continued)

During the years ended June 30, 2022 and 2021, the Organization received forgivable loans from DDS in amount of $550,000 and $500,000, respectively, to assist the acquisition of the properties in Watsonville and Santa Cruz, California. The contributions were recorded in the consolidated statement of activities.

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2022	2021
Home modification fund	$ 76,467	$ -
Housing predevelopment fund *	250,285	261,760
Property and equipment fund	6,118,484	5,705,264
	$ 6,445,236	$ 5,967,024

* In the event fund is not used for the intended restricted purpose, the entire amount from housing predevelopment costs will be repaid to SARC at the culmination of the Bay Area Housing Plan (see Note 7).

15. RESTATEMENT OF 2021 FINANCIAL STATEMENTS

In prior years, the Organization received loans and funds for project development that are not subject to repayment provided the Organization maintains 30 years of use of the properties for the benefit of persons with intellectual and developmental disabilities in accordance with the agreements (see Note 13). The Organization previously recognized the receipt of these funds as contributions without donor restrictions. Upon further analysis, it was determined that these funds should be accounted for as contributions with donor restrictions due to the donor stipulations that limit the use of the properties. To correct this error, the 2021 financial statements were restated to reclassify net assets as shown below. There was no net impact to total net assets, change in net assets, or cash flows for the years presented.

The effect of the reclassification of net assets as of June 30, 2021, is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Previously reported	$ 42,343,160	$ 261,760	$ 42,604,920
Reclassification of restricted use of rental properties funds	(5,705,264)	5,705,264	-
Balance after reclassification	$ 36,637,896	$ 5,967,024	$ 42,604,920

16. RENTAL INCOME

Rental income consisted of the following:

	2022	2021
Property lease income	$ 5,546,012	$ 5,508,602
Property tax reimbursement	188,403	230,192
Replacement reserve payments	76,800	76,800
	$ 5,811,215	$ 5,815,594

17. PROPERTY MANAGEMENT INCOME

Property management income consisted of the following:

	2022	2021
Property management fees	$ 505,463	$ 448,201
Property repairs and maintenance reimbursement	637,581	509,159
Property maintenance contract fees	215,946	222,216
Property insurance reimbursement	24,973	17,921
Property management administration fees	6,301	7,704
	$ 1,390,264	$ 1,205,201

18. COMMITMENT, RISK AND UNCERTAINTIES

Commitment

The Organization, under restrictions as outlined in various agreements with the California Department of Developmental Services and the City of Santa Clara Redevelopment Agency, is to maintain all owned properties solely as long-term residences for the benefit of persons who are intellectually and developmentally disabled.

SUPPLEMENTARY INFORMATION

Bay Area Housing Corporation and Affiliates
Consolidating Statement of Financial Position
June 30, 2022

ASSETS

	BAHC (without CPP)	CPP Projects	Eliminating Entries	BAHC	Casa Milagro, LLC	Mas Milagros, LLC	Eliminating Entries	2022 Total	(Restated) 2021 Total
Current assets									
Cash	$ 684,130	$ 1,203,312	$ -	$ 1,887,442	$ -	$ 132,465	$ -	$ 2,019,907	$ 1,533,650
Due from related parties	105,392	-	(40,485)	64,907	-	-	(64,907)	-	-
Accounts receivable	250,397	18,088	-	268,485	125,775	-	-	394,260	276,007
Contributions and grants receivable	9,747	-	-	9,747	-	-	-	9,747	12,747
Note receivable - West Bay Housing Corporation, current portion	39,888	-	-	39,888	-	-	-	39,888	37,381
Prepaid expenses and deposits	45,089	-	-	45,089	-	-	-	45,089	21,292
Total current assets	1,134,643	1,221,400	(40,485)	2,315,558	125,775	132,465	(64,907)	2,508,891	1,881,077
Property and equipment, net	-	17,530,664	-	17,530,664	37,846,901	3,388,362	-	58,765,927	59,617,108
Other assets									
Note receivable - West Bay Housing Corporation, net of current portion	48,203	-	-	48,203	-	-	-	48,203	89,324
Housing predevelopment funds	162,194	-	-	162,194	-	-	-	162,194	135,055
Replacement reserves	-	161,344	-	161,344	821,151	491,468	-	1,473,963	1,423,342
Operating reserve	-	-	-	-	-	68,257	-	68,257	66,887
Surplus funds reserve	-	-	-	-	721,811	-	-	721,811	722,242
Debt service reserve	-	-	-	-	4,280,110	-	-	4,280,110	4,280,109
Total other assets	210,397	161,344	-	371,741	5,823,072	559,725	-	6,754,538	6,716,959
Total assets	$ 1,345,040	$ 18,913,408	$ (40,485)	$ 20,217,963	$ 43,795,748	$ 4,080,552	$ (64,907)	$ 68,029,356	$ 68,215,144

Bay Area Housing Corporation and Affiliates
Consolidating Statement of Financial Position
June 30, 2022

LIABILITIES AND NET ASSETS

	BAHC (without CPP)	CPP Projects	Eliminating Entries	BAHC	Casa Milagro, LLC	Mas Milagros, LLC	Eliminating Entries	2022 Total	(Restated) 2021 Total
Current liabilities									
Accounts payable and accrued expenses	$ 23,393	$ 216,833	$ -	$ 240,226	$ -	$ -	$ -	$ 240,226	$ 48,922
Deferred revenue	-	30,448	-	30,448	359,130	-	-	389,578	387,042
CHFFA bonds payable, current portion	-	-	-	-	3,440,133	-	-	3,440,133	3,225,122
Mortgages and notes payable, current portion	-	150,220	-	150,220	-	-	-	150,220	120,855
Accrued interest, current portion	-	-	-	-	-	80,000	-	80,000	70,000
Due to related parties	-	40,485	(40,485)	-	60,783	4,124	(64,907)	-	-
Total current liabilities	23,393	437,986	(40,485)	420,894	3,860,046	84,124	(64,907)	4,300,157	3,851,941
Long-term liabilities									
CHFFA bonds payable, net of current portion	-	-	-	-	9,076,154	-	-	9,076,154	12,377,159
Mortgages and notes payable, net of current portion	-	7,031,055	-	7,031,055	-	2,363,876	-	9,394,931	8,997,333
Accrued interest, net of current portion	-	-	-	-	-	403,811	-	403,811	383,791
Total long-term liabilities	-	7,031,055	-	7,031,055	9,076,154	2,767,687	-	18,874,896	21,758,283
Total liabilities	23,393	7,469,041	(40,485)	7,451,949	12,936,200	2,851,811	(64,907)	23,175,053	25,610,224
Net assets									
Without donor restrictions	994,895	5,325,883	-	6,320,778	30,859,548	1,228,741	-	38,409,067	36,637,896
With donor restrictions	326,752	6,118,484	-	6,445,236	-	-	-	6,445,236	5,967,024
Total net assets	1,321,647	11,444,367	-	12,766,014	30,859,548	1,228,741	-	44,854,303	42,604,920
Total liabilities and net assets	$ 1,345,040	$ 18,913,408	$ (40,485)	$ 20,217,963	$ 43,795,748	$ 4,080,552	$ (64,907)	$ 68,029,356	$ 68,215,144

Bay Area Housing Corporation and Affiliates
Consolidating Statement of Activities
For The Year Ended June 30, 2022

	BAHC (without CPP)	CPP Projects	Eliminating Entries	BAHC	Casa Milagro, LLC	Mas Milagros, LLC	Eliminating Entries	2022 Total	(Restated) 2021 Total
Support and revenue									
Rental income	$ -	$ 1,133,056	$ -	$ 1,133,056	$ 4,574,767	$ 103,392	$ -	$ 5,811,215	$ 5,815,594
Property management income	1,964,987	-	(375,023)	1,589,964	472,588	-	(672,288)	1,390,264	1,205,201
Contributions and grants	26,076	1,108,000	-	1,134,076	-	-	-	1,134,076	904,026
Special events, net of $15,257 event expenses	76,467	-	-	76,467	-	-	-	76,467	-
Forgiveness of Paycheck Protection Program loan	-	-	-	-	-	-	-	-	114,332
Development fee revenue	40,000	-	(40,000)	-	-	-	-	-	-
Other income	44,177	-	-	44,177	6,800	9,015	-	59,992	26,239
Interest income	3,564	101	-	3,665	87	761	-	4,513	5,411
Loss on sale and disposal of property and equipment	-	-	-	-	-	(1,236,523)	-	(1,236,523)	(4,575)
Total support and revenue	2,155,271	2,241,157	(415,023)	3,981,405	5,054,242	(1,123,355)	(672,288)	7,240,004	8,066,228
Functional expenses									
Program services									
Project development	363,943	40,105	(40,000)	364,048	-	766	-	364,814	406,285
Property management	1,139,286	1,185,181	(375,023)	1,949,444	2,646,608	234,129	(672,288)	4,157,893	4,196,726
Total program services	1,503,229	1,225,286	(415,023)	2,313,492	2,646,608	234,895	(672,288)	4,522,707	4,603,011
Supporting services									
Management and general	225,492	24,164	-	249,656	35,485	7,967	-	293,108	286,392
Fundraising	174,443	43	-	174,486	-	320	-	174,806	147,348
Total support services	399,935	24,207	-	424,142	35,485	8,287	-	467,914	433,740
Total functional expenses	1,903,164	1,249,493	415,023	2,737,634	2,682,093	243,182	672,288	4,990,621	5,036,751
Change in net assets	252,107	991,664	-	1,243,771	2,372,149	(1,366,537)	-	2,249,383	3,029,477
Net assets, beginning of year	1,069,540	10,452,703	-	11,522,243	28,487,399	2,595,278	-	42,604,920	39,575,443
Net assets, end of year	$ 1,321,647	$ 11,444,367	$ -	$ 12,766,014	$ 30,859,548	$ 1,228,741	$ -	$ 44,854,303	$ 42,604,920

OTHER AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Bay Area Housing Corporation and Affiliates
Los Gatos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Bay Area Housing Corporation (a California nonprofit corporation) and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated February 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Armanino LLP

Armanino LLP
San Jose, California

February 20, 2023