

COMMUNITY HOUSING COUNCIL OF FRESNO

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE FISCAL YEARS ENDED
MAY 31, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Housing Council of Fresno

We have audited the accompanying financial statements of the Community Housing Council of Fresno (a nonprofit public benefit corporation), which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Housing Council of Fresno as of May 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
September 11, 2017

**COMMUNITY HOUSING COUNCIL OF FRESNO
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2017 AND 2016**

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 207,179	\$ 256,927
Accounts receivable	39,429	54,104
Prepaid expenses	9,484	11,552
Loan receivable - related party	<u>12,600</u>	<u>12,600</u>
Total current assets	268,692	335,183
Investment - Annuity	56,336	50,000
Property and Equipment - Net	<u>7,450</u>	<u>11,358</u>
Total Assets	<u>\$ 332,478</u>	<u>\$ 396,541</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,289	\$ 1,348
Accrued payroll and related taxes	9,373	10,160
Accrued vacation	<u>13,187</u>	<u>14,924</u>
Total current liabilities	<u>23,849</u>	<u>26,432</u>
Total liabilities	<u>23,849</u>	<u>26,432</u>
Net Assets		
Temporarily restricted	-	-
Unrestricted	<u>308,629</u>	<u>370,109</u>
Total net assets	<u>308,629</u>	<u>370,109</u>
Total Liabilities and Net Assets	<u>\$ 332,478</u>	<u>\$ 396,541</u>

The accompanying notes are an integral part of the financial statements.

**COMMUNITY HOUSING COUNCIL OF FRESNO
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MAY 31, 2017 AND 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>TOTAL</u>	
			<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUES				
Fees for services	\$ 48,649	\$ -	\$ 48,649	\$ 52,736
Grants and contributions	64,600	147,131	211,731	349,789
Membership dues	3,671	-	3,671	2,050
Fundraising revenue	20,131	-	20,131	22,817
Other income	9,243	-	9,243	2,851
Net assets released from restrictions	<u>147,131</u>	<u>(147,131)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>293,425</u>	<u>-</u>	<u>293,425</u>	<u>430,243</u>
EXPENSES				
Program services				
NeighborWorks America	259,177	-	259,177	246,469
Housing and Urban Development	18,771	-	18,771	16,570
CHC Realty	17,655	-	17,655	19,268
Supporting services				
Management and general	53,023	-	53,023	70,301
Fundraising	<u>6,279</u>	<u>-</u>	<u>6,279</u>	<u>20,052</u>
Total expenses	<u>354,905</u>	<u>-</u>	<u>354,905</u>	<u>372,660</u>
Change in Net Assets	(61,480)	-	(61,480)	57,583
Net Assets at Beginning of Year	<u>370,109</u>	<u>-</u>	<u>370,109</u>	<u>312,526</u>
Net Assets at End of Year	<u>\$ 308,629</u>	<u>\$ -</u>	<u>\$ 308,629</u>	<u>\$ 370,109</u>

The accompanying notes are an integral part of the financial statements.

**COMMUNITY HOUSING COUNCIL OF FRESNO
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MAY 31, 2017 AND 2016**

	PROGRAM SERVICES			SUPPORTING SERVICES		TOTALS	
	NeighborWorks America	Housing and Urban Development	CHC Realty	Management and General	Fundraising	2017	2016
Salaries	\$ 166,098	\$ 10,381	\$ 10,381	\$ 20,763	\$ -	\$ 207,623	\$ 220,705
Payroll Taxes	13,969	873	873	1,746	-	17,461	19,159
Employee benefits	6,335	396	396	792	-	7,919	9,331
Payroll processing fees	3,912	245	245	488	-	4,890	2,899
Website expenses	745	186	-	-	-	931	713
Dues and subscriptions	-	-	619	619	-	1,238	1,896
Outside services	950	-	-	950	-	1,900	5,973
Marketing	998	-	-	1,496	-	2,494	4,136
Bank charges	-	-	-	1,318	-	1,318	2,775
Realty expenses	-	-	-	-	-	-	89
Credit reports	2,782	-	-	-	-	2,782	2,544
Equipment expense	35	-	-	200	-	235	965
Fundraising event	-	-	-	-	6,279	6,279	7,052
Insurance	4,287	-	-	2,858	-	7,145	6,703
Repairs and maintenance	915	-	-	610	-	1,525	2,855
Taxes and licenses	-	-	-	170	-	170	80
Office expenses	1,406	-	-	4,218	-	5,624	5,784
Postage	138	-	-	138	-	276	374
Professional fees	5,753	2,877	-	5,753	-	14,383	11,200
Rent	24,409	3,487	3,487	3,487	-	34,870	34,825
Home ownership grants	18,000	-	-	-	-	18,000	13,000
Telephone and internet	3,382	-	676	2,706	-	6,764	6,952
Educational events	421	-	-	-	-	421	1,056
Travel and lodging	978	326	978	978	-	3,260	4,825
Depreciation & amortization	1,954	-	-	1,954	-	3,908	3,623
Staff training	321	-	-	137	-	458	350
Interest expense	-	-	-	254	-	254	500
Miscellaneous expenses	1,389	-	-	1,388	-	2,777	2,296
TOTAL EXPENSES	\$ 259,177	\$ 18,771	\$ 17,655	\$ 53,023	\$ 6,279	\$ 354,905	\$ 372,660

The accompanying notes are an integral part of the financial statements.

**COMMUNITY HOUSING COUNCIL OF FRESNO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2017 AND 2016**

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ (61,480)	\$ 57,583
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	3,908	3,623
Changes in operating assets and liabilities:		
Accounts receivable	14,675	(15,004)
Prepaid expenses	2,068	895
Accounts payable and accrued expenses	(59)	(420)
Accrued payroll and related taxes	(787)	1,803
Accrued vacation	<u>(1,737)</u>	<u>4,266</u>
Net cash provided (used) by operating activities	<u>(43,412)</u>	<u>52,746</u>
Cash Flows from Investing Activities		
Loan to related party	-	(12,600)
Purchase of investments in annuity	(6,336)	(50,000)
Purchase of property and equipment	<u>-</u>	<u>(3,980)</u>
Net cash provided (used) by investing activities	<u>(6,336)</u>	<u>(66,580)</u>
Net increase (decrease) in cash and cash equivalents	(49,748)	(13,834)
Cash and Cash Equivalents, Beginning of Year	<u>256,927</u>	<u>270,761</u>
Cash and Cash Equivalents, End of Year	<u>\$ 207,179</u>	<u>\$ 256,927</u>
Supplemental Cash Flows Disclosures		
Cash payments during the year for:		
Interest	<u>\$ 254</u>	<u>\$ 500</u>

The accompanying notes are an integral part of the financial statements.

**COMMUNITY HOUSING COUNCIL OF FRESNO
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: The Community Housing Council of Fresno (the Organization) was incorporated in Fresno County, on May 5, 2003. The Organization strives to promote fair housing opportunities and to encourage home ownership by providing education, counseling and financial services to persons seeking home ownership, with a special emphasis toward low to moderate income families, as well as minority and non-English speaking families locally.

The Organization is committed to strengthening local public and private partnerships to ensure adequate, affordable and equitable housing opportunities for low-to-moderate income families in the community they serve.

The Organization is supported through membership dues, grants and contributions from local institutions, service fees, and a grant from the Rural Community Assistance Corporation for the National Foreclosure Mitigation Counseling Program as administered by NeighborWorks America.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under ASC Topic 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are the portion of net assets over which the governing board has discretionary control for the general operations of the Organization. The Organization accounts for revenues and expenses of the Organization as unrestricted.

Temporarily restricted net assets are the portion of net assets resulting from contribution, pledges, and other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that expire by the passage of time.

Permanently restricted net assets are the portion of net assets restricted by external parties (donors, grantors, or laws and regulations) in ways that are not dependent on the passage of time.

Method of Accounting: The Organization uses the accrual basis method of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents: For purposes of reporting the Statements of Cash Flows, the Organization considers all cash accounts and all highly liquid debt instruments purchased with an original maturity of three (3) months or less to be cash equivalents.

Accounts Receivable: The Organization utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. At May 31, 2017 and 2016, management considered all accounts to be fully collectible and, therefore, no allowance was recorded in the accompanying financial statements.

Property and Equipment: Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed by using the straight-line method depreciated over the estimated useful life of the asset. Leasehold improvements are depreciated using the straight-line method over the lesser of the estimated useful life of the asset or the related lease term.

**COMMUNITY HOUSING COUNCIL OF FRESNO
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued): Major replacements and improvements, in excess of \$1,000, or per management’s discretion as determined to have a useful life, are capitalized at cost. Maintenance, repairs, and minor replacements are expensed when incurred.

Estimated useful lives are as follows:

	Years
Computer equipment	3
Software	5
Furniture and fixtures	5

Support and Revenue: Grants and contributions are recognized as revenue when received or unconditionally promised. The Organization classifies gifts of cash or other assets as temporarily restricted support if received with donor stipulations that limit the use of such contributions. When agency or donor restrictions expire, that is, when stipulated time restrictions end or the purposes of restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities and changes in net assets as net assets released from restrictions. Conditional promises to give are not included as support until the conditions are substantially met. There were no conditional promises to give at May 31, 2017 and 2016.

Exchange Transactions: Revenues earned from contracts, grants, and membership fees are considered to be exchange transactions. Revenues from exchange transactions are reported gross of any related expense in the accompanying financial statements.

In-Kind Contributions: Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Allocation of Expenses: The Organization charges all direct expenses to the appropriate program as specified in the program services agreement. The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value of Financial Instruments: Financial instruments include cash and cash equivalents, accounts receivable, prepaid expenses, investment in annuity, accounts payable, and accrued expenses, none of which are held for trading purposes. The fair values of all financial instruments do not differ materially from the aggregate carrying values of the financial instruments recorded in the accompanying Statements of financial position. The carrying amounts of these financial instruments approximate fair value because of the short-term maturities of those instruments.

Compensated Absences: The Organization recognizes compensated absences as a liability. As of May 31, 2017 and 2016, the accrued vacation balance was \$13,187 and \$14,924, respectively. Sick leave is not vested and, therefore, is not accrued.

**COMMUNITY HOUSING COUNCIL OF FRESNO
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs: Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. There were no capitalized costs. Advertising costs charged to operations for the years ended May 31, 2017 and 2016, were \$2,494 and \$4,136, respectively.

Income Taxes: The Organization is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Corporate Code. The Organization is subject to taxation on any unrelated business income.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through September 11, 2017, which is the date the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at May 31, 2017 and 2016:

	2017	2016
Computer equipment	\$ 15,443	\$ 15,443
Software	8,995	8,995
Furniture and fixtures	<u>16,256</u>	<u>16,256</u>
Property and Equipment - Gross	40,694	40,694
Less: Accumulated Depreciation and Amortization	<u>(33,244)</u>	<u>(29,336)</u>
Property and Equipment - Net	<u>\$ 7,450</u>	<u>\$ 11,358</u>

Depreciation and amortization expense for the years ended May 31, 2017 and 2016, was \$3,908 and \$3,623, respectively.

**COMMUNITY HOUSING COUNCIL OF FRESNO
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 3 – INVESTMENTS

Investments, as presented at their fair value as of May 31, 2017 and 2016 are summarized as follows:

	2017	2016
Annuity	\$ <u>56,336</u>	\$ <u>50,000</u>
Total Investments	\$ <u>56,336</u>	\$ <u>50,000</u>

NOTE 4 – LINE OF CREDIT

The Organization has a revolving line of credit agreement dated January 8, 2017 with Premier Valley Bank with a credit limit of \$50,000. The interest rate is a variable rate equal to the Prime rate as published in the Wall Street Journal plus 2.25%, however under no circumstances will the interest rate be less than 6.50% per annum. The prime rate was 4.00% at May 31, 2017, therefore the interest rate is at the minimum 6.50% at May 31, 2017. The line of credit is unsecured. All outstanding principal and accrued interest is due in full on demand. At May 31, 2017 and 2016, there was no balance on the line of credit.

NOTE 5 – OPERATING LEASE

The Organization leases office space under a long-term lease agreement in Fresno, California. The lease began on January 20, 2014 and expires June 30, 2019, and requires monthly payments of \$2,744. Lease expense under the agreement for the years ended May 31, 2017 and 2016, was \$34,870 and 34,825, respectively.

Minimum future lease payments under the operating lease agreement as of May 31, 2017 were as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2018	\$ 32,928
2019	32,928
2020	<u>2,744</u>
Total minimum lease payments	<u>\$ 68,600</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization performs services for Community Housing Realty Services, Inc. (CHRS), a related party. The Board members of the Organization serve as the Board members for CHRS. The Organization received \$24,689 and \$18,092 in revenues from CHRS for the years ended May 31, 2017 and 2016. The Organization also had a loan receivable from CHRS in the amount of \$12,600 at May 31, 2017 and 2016.

**COMMUNITY HOUSING COUNCIL OF FRESNO
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 7 – ECONOMIC CONCENTRATIONS

At May 31, 2017 and 2016, 100% and 86% of accounts receivable was due from four and two customers, respectively.

During the years ending May 31, 2017 and 2016, 41% and 50%, respectively, of the Organization's support came through fees charged for services with two agencies. Discontinuance of funding from these agencies could have an adverse effect on the Organization's ability to continue its operations.

The Organization maintains cash balances in several financial institutions. Cash balances in interest-bearing transaction accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. As of May 31, 2017 and 2016, the Organization had \$0 in excess cash held with these financial institutions.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Organization derives a portion of its revenue from private grants, which are subject to review and audit by the grantor. Management believes that the Organization is in material compliance with the standards set forth by the grantor and that the outcome of reviews and audits they may conduct will not have a significant effect on the financial position or results of activities of the Organization.

NOTE 9 – INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income ("UBTI"). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the fiscal years ending May 31, 2017 and 2016.

The Organization files tax forms in the U.S. federal jurisdiction and the State of California. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2014.