

COMMUNITY HOUSING COUNCIL OF FRESNO

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE FISCAL YEARS ENDED
MAY 31, 2021 AND 2020**

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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, 2021 and 2020, 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, 2021 and 2020, 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
November 2, 2021

**COMMUNITY HOUSING COUNCIL OF FRESNO
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2021 AND 2020**

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 332,925	\$ 116,812
Accounts receivable	82,660	77,266
Prepaid expenses	<u>6,358</u>	<u>5,859</u>
Total current assets	421,943	199,937
Deposits	9,944	9,944
Investments - Annuities	64,269	62,236
Property and Equipment - Net	<u>2,348</u>	<u>186</u>
Total Assets	<u><u>\$ 498,504</u></u>	<u><u>\$ 272,303</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,210	\$ 1,028
Accrued payroll and related taxes	17,137	8,140
Accrued vacation	16,073	16,896
Line of credit	15,000	15,000
Unearned revenue - PPP loan	<u>-</u>	<u>42,500</u>
Total current liabilities	<u>50,420</u>	<u>83,564</u>
Long-Term Liabilities		
Note payable, non-current	<u>145,800</u>	<u>-</u>
Total long-term liabilities	<u>145,800</u>	<u>-</u>
Total liabilities	<u>196,220</u>	<u>83,564</u>
Net Assets		
With donor restrictions	-	-
Without donor restrictions	<u>302,284</u>	<u>188,739</u>
Total net assets	<u>302,284</u>	<u>188,739</u>
Total Liabilities and Net Assets	<u><u>\$ 498,504</u></u>	<u><u>\$ 272,303</u></u>

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

**COMMUNITY HOUSING COUNCIL OF FRESNO
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Fees for services	\$ 128,251	\$ -	\$ 128,251
Grants and contributions	70,000	1,244,785	1,314,785
Membership dues	100	-	100
Interest income	2,642	-	2,642
Other income	6,724	-	6,724
Net assets released from restrictions:			
Satisfaction of donor stipulations	<u>1,244,785</u>	<u>(1,244,785)</u>	<u>-</u>
 Total support and revenues	 <u>1,452,502</u>	 <u>-</u>	 <u>1,452,502</u>
EXPENSES			
Program services:			
Rural Community Acceptance Corp	193,293	-	193,293
Housing and Urban Development	113,008	-	113,008
CHC Realty	91,699	-	91,699
Emergency Housing Payment Program	869,180	-	869,180
Supporting services:			
Management and general	70,777	-	70,777
Fundraising	<u>1,000</u>	<u>-</u>	<u>1,000</u>
 Total expenses	 <u>1,338,957</u>	 <u>-</u>	 <u>1,338,957</u>
 Change in Net Assets	 113,545	 -	 113,545
 Net Assets at Beginning of Year	 <u>188,739</u>	 <u>-</u>	 <u>188,739</u>
 Net Assets at End of Year	 <u>\$ 302,284</u>	 <u>\$ -</u>	 <u>\$ 302,284</u>

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

COMMUNITY HOUSING COUNCIL OF FRESNO
STATEMENTS OF ACTIVITIES (continued)
FOR THE YEAR ENDED MAY 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Fees for services	\$ 88,915	\$ -	\$ 88,915
Grants and contributions	90,100	26,566	116,666
Membership dues	1,512	-	1,512
Fundraising revenue	10,837	-	10,837
Interest income	3,710	-	3,710
Other income	11,106	-	11,106
Net assets released from restrictions:			
Satisfaction of donor stipulations	26,566	(26,566)	-
Total support and revenues	<u>232,746</u>	<u>-</u>	<u>232,746</u>
EXPENSES			
Program services:			
Rural Community Acceptance Corp	162,515	-	162,515
Housing and Urban Development	11,745	-	11,745
CHC Realty	66,927	-	66,927
Supporting services:			
Management and general	41,450	-	41,450
Fundraising	5,755	-	5,755
Total expenses	<u>288,392</u>	<u>-</u>	<u>288,392</u>
Change in Net Assets	(55,646)	-	(55,646)
Net Assets at Beginning of Year	<u>244,385</u>	<u>-</u>	<u>244,385</u>
Net Assets at End of Year	<u>\$ 188,739</u>	<u>\$ -</u>	<u>\$ 188,739</u>

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

**COMMUNITY HOUSING COUNCIL OF FRESNO
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2021**

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL
	Rural Community Acceptance Corp	Housing and Urban Development	CHC Realty	Emergency Housing Payment Program	Management and General	Fundraising	2021
Salaries	\$ 134,652	\$ 100,989	\$ 67,326	\$ -	\$ 33,663	\$ -	\$ 336,630
Payroll taxes	10,477	7,858	5,238	-	2,619	-	26,192
Employee benefits	4,531	-	-	-	4,530	-	9,061
Payroll processing fees	2,698	169	-	-	505	-	3,372
Website expenses	2,628	657	-	-	-	-	3,285
Marketing	510	-	-	-	766	-	1,276
Bank charges	-	-	-	-	1,154	-	1,154
Credit reports	162	162	-	-	484	-	808
Equipment expense	337	-	-	-	1,911	-	2,248
Fundraising event	-	-	-	-	-	1,000	1,000
Insurance	3,715	-	-	-	2,476	-	6,191
Repairs and maintenance	2,352	-	706	-	1,646	-	4,704
Taxes and licenses	-	-	-	-	75	-	75
Office expenses	2,890	-	723	-	3,612	-	7,225
Postage	290	-	-	-	289	-	579
Professional fees	2,260	1,130	1,695	-	6,215	-	11,300
Rent	20,015	2,002	14,011	-	4,002	-	40,030
Telephone and internet	3,200	-	2,000	-	2,799	-	7,999
Travel and lodging	124	41	-	-	248	-	413
Depreciation and amortization	366	-	-	-	366	-	732
Staff training	857	-	-	-	367	-	1,224
Interest expense	-	-	-	-	1,821	-	1,821
Miscellaneous expenses	1,229	-	-	-	1,229	-	2,458
EHPP direct expenses	-	-	-	869,180	-	-	869,180
TOTAL EXPENSES	\$ 193,293	\$ 113,008	\$ 91,699	\$ 869,180	\$ 70,777	\$ 1,000	\$ 1,338,957

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

COMMUNITY HOUSING COUNCIL OF FRESNO
STATEMENTS OF FUNCTIONAL EXPENSES (continued)
FOR THE YEAR ENDED MAY 31, 2020

	PROGRAM SERVICES			SUPPORTING SERVICES		TOTAL
	Rural Community Acceptance Corp	Housing and Urban Development	CHC Realty	Management and General	Fundraising	2020
Salaries	\$ 102,388	\$ 6,399	\$ 47,119	\$ 19,198	\$ -	\$ 175,104
Payroll taxes	6,806	425	5,763	1,277	-	14,271
Employee benefits	9,078	567	-	1,703	-	11,348
Payroll processing fees	3,654	228	-	(448)	-	3,434
Website expenses	612	153	-	-	-	765
Dues and subscriptions	-	-	-	1,275	-	1,275
Marketing	503	-	-	755	-	1,258
Bank charges	-	-	-	1,077	-	1,077
Credit reports	1,558	-	-	-	-	1,558
Fundraising event	-	-	-	-	5,755	5,755
Insurance	3,640	-	-	2,427	-	6,067
Repairs and maintenance	42	-	333	28	-	403
Taxes and licenses	-	-	-	150	-	150
Office expenses	1,064	-	341	692	-	2,097
Postage	69	-	-	68	-	137
Professional fees	2,158	1,079	906	5,791	-	9,934
Rent	23,943	2,842	11,490	1,630	-	39,905
Telephone and internet	3,192	-	975	3,192	-	7,359
Educational events	878	-	-	-	-	878
Travel and lodging	160	52	-	322	-	534
Depreciation and amortization	729	-	-	728	-	1,457
Staff training	1,061	-	-	455	-	1,516
Interest expense	-	-	-	150	-	150
Miscellaneous expenses	980	-	-	980	-	1,960
TOTAL EXPENSES	\$ 162,515	\$ 11,745	\$ 66,927	\$ 41,450	\$ 5,755	\$ 288,392

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

**COMMUNITY HOUSING COUNCIL OF FRESNO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020**

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 113,545	\$ (55,646)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	732	1,457
Changes in operating assets and liabilities:		
Accounts receivable	(5,394)	(39,509)
Prepaid expenses	(499)	(454)
Accounts payable and accrued expenses	1,182	(456)
Accrued payroll and related taxes	8,997	(1,079)
Accrued vacation	(823)	3,324
Unearned revenue - PPP loan	<u>(42,500)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>75,240</u>	<u>(92,363)</u>
Cash Flows from Investing Activities		
Payments received on loan to related party	-	12,600
Increase in investments in annuities	(2,033)	(2,519)
Purchases of property and equipment	<u>(2,894)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(4,927)</u>	<u>10,081</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	-	15,000
Proceeds from PPP loan	-	42,500
Proceeds from SBA loan	<u>145,800</u>	<u>-</u>
Net cash provided by financing activities	<u>145,800</u>	<u>57,500</u>
Net increase (decrease) in cash and cash equivalents	216,113	(24,782)
Cash and Cash Equivalents, Beginning of Year	<u>116,812</u>	<u>141,594</u>
Cash and Cash Equivalents, End of Year	<u>\$ 332,925</u>	<u>\$ 116,812</u>
Supplemental Cash Flows Disclosures		
Cash payments during the year for:		
Interest	<u>\$ 150</u>	<u>\$ 150</u>

The accompanying notes are an integral part of these 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 various grants including HUD funding received through RCAC, an intermediary funded by HUD to oversee small HUD-approved non-profits. The Organization is also supported by funding received through City of Clovis EHPP program, funded by HUD to provide assistance to low-income homeowners and tenants facing foreclosure or eviction due to financial losses caused by the current COVID-19 pandemic.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. Under Accounting Standard Codification (ASC) Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are the portion of net assets over which the governing board has discretionary control for the general operations of the Organization. The only limits on net assets without donor restrictions are limits resulting from contractual agreements.

Net assets with donor restrictions 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 or usage, and 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, 2021 and 2020, 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. 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.

**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): Estimated useful lives are as follows:

	<u>Years</u>
Computer equipment	3
Software	5
Furniture and fixtures	5

Compensated Absences: The Organization recognizes compensated absences as a liability. As of May 31, 2021 and 2020, the accrued vacation balance was \$16,073 and \$16,896, respectively. Sick leave is not vested and, therefore, is not accrued.

Unearned Revenue: Unearned revenue includes unearned funding from the Small Business Administration (SBA) Payroll Protection Program (PPP) loan passed through from Community Housing Realty Services. The unearned revenue represents monies received by the Organization, but not yet spent, or earned in accordance with the loan agreement.

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 with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying Statements of Activities 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, 2021 and 2020.

New Accounting Pronouncements: In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update is to clarify and improve the scope and the accounting guidance for contributions received and contributions made, whether as a contribution or an exchange transaction, and whether a contribution is conditional. The Organization has implemented this ASU in these financial statements accordingly.

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The update is to remove inconsistencies and weaknesses in revenue requirements, provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, provide more useful information to users of financial statements through improved disclosure requirements, and simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. The Organization has implemented this ASU in these financials accordingly.

Exchange Transactions: Revenues earned from fees for services and membership dues 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.

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

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

Fair Value of Financial Instruments: Financial instruments include cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued expenses, accrued payroll and related taxes, accrued vacation, the line of credit, and unearned revenue, 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.

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, 2021 and 2020, were \$1,276 and \$1,258, 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.

Reclassifications: Certain 2020 amounts have been reclassified to conform with the 2021 financial statement presentation. There was no change to net assets as a result of the reclassifications.

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 November 1, 2021, which is the date the financial statements were available to be issued.

NOTE 2 – AVAILABILITY OF FINANCIAL ASSETS

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

	<u>Amount</u>
Cash and cash equivalents	\$ 332,925
Accounts receivable	82,660
Investments - annuities - cash surrender value	<u>57,380</u>
 Total financial assets available for general expenditures within one year	 <u>\$ 472,965</u>

The Organization maintains a \$50,000 line of credit, as discussed in more detail in Note 6. As of May 31, 2021, \$35,000 was available on the Organization's line of credit.

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

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at May 31, 2021 and 2020:

	2021	2020
Computer equipment	\$ 18,337	\$ 15,443
Software	8,995	8,995
Furniture and fixtures	<u>16,256</u>	<u>16,256</u>
Property and Equipment - Gross	43,588	40,694
Less: Accumulated Depreciation and Amortization	<u>(41,240)</u>	<u>(40,508)</u>
Property and Equipment - Net	<u>\$ 2,348</u>	<u>\$ 186</u>

Depreciation and amortization expense for the years ended May 31, 2021 and 2020, was \$732 and \$1,457, respectively.

NOTE 4 – INVESTMENTS

Investments, as presented at their fair value as of May 31, 2021 and 2020 are summarized as follows:

	2021	2020
Annuities	<u>\$ 64,269</u>	<u>\$ 62,236</u>
Total Investments	<u>\$ 64,269</u>	<u>\$ 62,236</u>

NOTE 5 – FAIR MARKET VALUE

The Organization applies generally accepted accounting principles for fair value measurements of financial assets and liabilities. These accounting principles define fair value and establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques. The Organization uses appropriate valuation techniques to determine value based on inputs available.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. The following description summarizes the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statements of Financial Position.

The three levels of inputs used to measure fair value are as follows:

Level 1 – Values measured using quoted prices in active markets for identical investments. The fair value of these financial instruments and investments is based on quoted market prices or dealer quotes in active markets. The Organization did not have any investments reported at fair value with Level 1 inputs.

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

NOTE 5 – FAIR MARKET VALUE (continued)

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. All of the Organization’s investments were reported at fair value with Level 2 inputs.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The Organization did not have any assets reported at fair value with Level 3 inputs.

The table below presents the level within the fair value hierarchy at which investments are measured at May 31, 2021 and 2020.

Fair Value Measurements on a Recurring Basis as of May 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Annuities	\$ -	\$ 64,269	\$ -	\$ 64,269
Total investments at fair value	\$ -	\$ 64,269	\$ -	\$ 64,269

Fair Value Measurements on a Recurring Basis as of May 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Annuities	\$ -	\$ 62,236	\$ -	\$ 62,236
Total investments at fair value	\$ -	\$ 62,236	\$ -	\$ 62,236

NOTE 6 – 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 3.25% at May 31, 2021, therefore the interest rate is at 5.5% at May 31, 2021. The line of credit is unsecured. All outstanding principal and accrued interest is due in full on demand. At May 31, 2021 and 2020, the line of credit balance was \$15,000 and \$15,000, respectively. Interest expense on the line of credit for the years ended May 31, 2021 and 2020 was \$150 and \$150, respectively.

NOTE 7 – NOTE PAYABLE

The Organization has a note payable to the U.S. Small Business Administration dated July 14, 2020 in the original amount of \$145,800. Monthly installments of \$623 are due beginning August 1, 2021 and continue until maturity on July 14, 2050, however interest is accrued upon receipt of the funds. Payments beginning August 1, 2021 will first be paid toward any accrued interest before the principle balance is reduced. Interest is at a rate of 2.75% per annum. In case of default, the Organization is joint and severally liable, immediate payment of all amounts owed may be required, and possession of any collateral may be taken. Total interest expense on the note payable during the year ended May 31, 2021 was \$1,671. The balance on the note payable at May 31, 2021 was \$145,800.

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

NOTE 7 – NOTE PAYABLE (continued)

Future scheduled maturities on the note payable are as follows:

Year Ending May 31,	Amount
2022	\$ -
2023	2,365
2024	3,576
2025	3,676
2026	3,778
2027-2051	132,405
Total	\$ 145,800

NOTE 8 – OPERATING LEASE

The Organization leases office space under a long-term lease agreement in Fresno, California. The lease began on July 1, 2019 and expires September 30, 2023, and requires monthly payments of \$3,335. Lease expense under the agreement for the years ended May 31, 2021 and 2020, was \$40,030 and \$39,905, respectively.

Minimum future lease payments under the operating lease agreement as of May 31, 2021 were as follows:

Year Ending May 31,	Amount
2022	\$ 40,020
2023	40,020
2024	13,340
Total minimum lease payments	\$ 93,380

NOTE 9 – 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 \$119,046 and \$66,927 in revenues from CHRS for the years ended May 31, 2021 and 2020, respectively. The Organization also had accounts receivable from CHRS in the amount of \$76,750 and \$61,373 at May 31, 2021 and 2020, respectively.

NOTE 10 – ECONOMIC CONCENTRATIONS

At May 31, 2021 and 2020, 100% of accounts receivable was due from two customers.

During the years ending May 31, 2021 and 2020, 76% and 12% of the Organization’s support came through fees charged for services with three and one agencies, respectively. Discontinuance of funding from these agencies could have an adverse effect on the Organization’s ability to continue its operations.

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

NOTE 10 – ECONOMIC CONCENTRATIONS (continued)

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, 2021 and 2020, the Organization had \$37,622 and \$0, respectively, in excess cash held with these financial institutions.

NOTE 11 – 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.

Management has determined the events regarding the Novel Coronavirus (COVID-19) require disclosure in accordance with accounting standards. On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a State of Emergency in California due to the Novel Coronavirus (COVID-19). The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. A vaccination has been created and is being administered throughout the state, including the Organization's service area. The ultimate impact of COVID-19 on the operations and finances of the Organization is unknown.

NOTE 12 – 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, 2021 and 2020.

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 these agencies for years before 2018.