

Abrams Park

City of Marina, California

Special-Purpose Financial Statements
and Independent Auditor's Report

June 30, 2021



Chavan & Associates, LLP

Certified Public Accountants
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Abrams Park
City of Marina, California

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Financial Section



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Marina, California

Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of Abrams Park (the Property), which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses and cash flows, for the year then ended, and the related notes to the special-purpose financial statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the basis of accounting described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Property's preparation and fair presentation of the special-purpose 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 Property'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 special-purpose financial statements.

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



Chavan and Associates, LLP
Certified Public Accountants

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of Abrams Park as of June 30, 2021, and the changes in net assets and cash flows thereof for the year then ended in accordance with the basis of accounting described in Note 1 to the special-purpose financial statements.

Basis of Accounting

We draw attention to Note 1 of the special-purpose financial statements, which describes the basis of accounting. The special-purpose financial statements were prepared to present the financial position of Abrams Park as of June 30, 2021, excluding the Property's capital assets, and the changes in its net position and cash flows for the fiscal year ending June 30, 2021, for the purpose of complying with the management agreement dated December 7, 2007 between Alliance Communities, Inc., the City of Marina, and the City of Marina Abrams B Nonprofit Corporation, LLC (See Note 1). These special-purpose financial statements are not intended to be a complete presentation of the Property's assets, liabilities, and activities. Please refer to the City of Marina's annual financial report for a complete presentation of the financial position of Abrams Park. Our opinion was not modified with respect to this matter.

C & A LLP

August 18, 2022
Morgan Hill, California

Special-Purpose Financial Statements

Abrams Park
Special-Purpose Statement of Financial Position
June 30, 2021

ASSETS

Cash and cash equivalents	
Cash in banks and on hand	\$ 1,287,449
Capital reserve money market, equipment purchases	289,091
Tenant receivables	60,353
Prepaid items	163,331
Total assets	<u><u>\$ 1,800,224</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 81,664
Deferred revenue	26,370
Security deposits	275,190
Total liabilities	<u>383,224</u>

Net assets:

Without donor restrictions:	
Board designated capital reserves	289,091
Undesignated	1,127,909
Total net assets	<u>1,417,000</u>
Total liabilities and net assets	<u><u>\$ 1,800,224</u></u>

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

Abrams Park
Special-Purpose Statement of Activities
For the Fiscal Year Ended June 30, 2021

	Without Donor Restrictions
REVENUE AND SUPPORT	
Rental income	\$ 3,629,632
Other revenue and support	23
Investment income	2,230
Total revenue and support	<u>3,631,885</u>
EXPENSES	
Program expenses:	
Housing and property management	<u>2,247,926</u>
Total program expenses	<u>2,247,926</u>
Change in net assets from operations	1,383,959
Distributions to the City of Marina	(1,532,219)
Beginning net assets	<u>1,565,260</u>
Ending net assets	<u><u>\$ 1,417,000</u></u>

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

Abrams Park
Special-Purpose Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2021

	Program Expenses
	Housing and Property Management
Administration payroll	\$ 62,614
Leasing payroll	43,691
Maintenance payroll	117,115
Cleaning payroll	11,982
Grounds payroll	10,953
Overtime	24,740
Bonuses	1,803
Payroll taxes	30,510
Insurance benefits	4,342
401k contributions	34,851
Workers compensation	22,568
Payroll other	5,138
Landscaping	32,113
Utilities	155,113
Marketing	8,786
Administrative	53,628
Maintenance	76,373
Redecorating	80,255
Management fees	89,997
Insurance	201,742
Property taxes	61,659
Professional services	654
Nonroutine maintenance and capital outlay	1,117,299
Total expenses	<u>\$ 2,247,926</u>

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

Abrams Park
Special-Purpose Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

Cash flows from operating activities:	
Changes in net assets	\$ 1,383,959
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Changes in other operating items:	
Tenant receivables	20,138
Prepaid items	(78,260)
Accounts payable and accrued expenses	(257,119)
Deferred revenue	337
Security deposits	(1,624)
Cash provided by (used for) operating activities	<u>1,067,431</u>
Cash flows from financing activities:	
Distributions to the City of Marina	(1,532,219)
Cash provided by (used for) financing activities	<u>(1,532,219)</u>
Change in cash and cash equivalents	(464,788)
Cash and cash equivalents at beginning of period	<u>2,041,328</u>
Cash and cash equivalents at the end of period	<u><u>\$ 1,576,540</u></u>
Reconciliation of Cash and Cash Equivalents:	
Cash in banks and on hand	\$ 1,287,449
Capital reserve money market account, equipment purchases	289,091
Total cash and cash equivalents	<u><u>\$ 1,576,540</u></u>

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

Abrams Park
Notes to the Special-Purpose Financial Statements
for the Fiscal Year Ended June 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Abrams Park (the Property) consists of 194 housing units and is located at 2960 Carpenter Court, Marina, California. The complex is owned by the City of Marina and is leased to the City of Marina Abrams B Non-Profit Corporation, LLC, a California nonprofit public benefit corporation. The Property is managed by Alliance Communities, Inc.

Basis of Presentation and Basis of Accounting

The Property has prepared the accompanying special-purpose financial statements to present the assets, liabilities, activities, and cash flows of the Property as of June 30, 2021, excluding the Property's capital assets, pursuant to the management agreement (Management Agreement) between the City of Marina, City of Marina Abrams B Non-Profit Corporation, LLC and Alliance Communities, Inc. dated December 7, 2007. The agreement specifies that the Property prepare special-purpose financial statements in which the activities of the housing units are presented in accordance with United States generally accepted accounting principles, excluding the Property's capital assets, which are reported in the financial statements of the City of Marina. Please refer to the City of Marina's annual financial report for a complete presentation of the financial position of Abrams Park.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short-term maturities of those financial instruments.

Cash Restricted for Equipment Purchases

As required by the City of Marina, the Property maintains a capital reserve cash account for future capital purchases. As of June 30, 2021, the reserve balance was \$289,091.

Financial Instruments and Credit Risk

The Property manages deposit concentration risk by placing cash with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Through June 30, 2021, the Property has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates. As of June 30, 2021, the carrying amount of the Organization's total cash in banks was \$1,576,540 and the bank balance of the Organization's accounts with banks was \$1,559,016, which was \$1,309,016 in excess of Federal Depository Insurance Corporation (FDIC) coverage. FDIC covers up to \$250,000 per bank for each entity.

Abrams Park
Notes to the Special-Purpose Financial Statements
for the Fiscal Year Ended June 30, 2021

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. As the Property's bank accounts are held by the City of Marina, collateral is pledged to cover the deposits at a margin of 110% as required.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Deferred Revenue

Deferred revenue consists of tenant rental prepayments.

Security Deposits

Security deposits consists of tenant up-front cash payments required to secure the rental units.

Net Assets

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

Net Assets Without Donor Restrictions

Net assets available for use in general operations.

Revenue and Revenue Recognition

Revenue Recognition - Contracts with Customers Accounted for in Accordance with ASC 606

The Property recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a tenant. The amount of revenue recognized reflects the consideration the Property expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Property combines it with other performance obligations until a distinct bundle of goods or services exists. Performance obligations are satisfied over time and the related revenue is recognized as services are rendered. The Property management expects that the period between when the Property transfers services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, the Property elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component.

Rent Revenue

The Property provides services to individuals that ultimately furthers the mission of the Property, yet provides reciprocal value to these persons. Services include housing and property management programs. The Property considers housing and property management as services available to its

Abrams Park
Notes to the Special-Purpose Financial Statements
for the Fiscal Year Ended June 30, 2021

tenants throughout the period of rental in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-25-22.

The Property has a right to consideration from its tenants in an amount that corresponds directly with the value provided to its tenants upon the Property's date of completed performance. Fees are billed as services are provided. Tenants simultaneously receive and consume the benefits provided by the Property's performance obligations throughout the rental period as services are provided. Therefore, the Property recognizes revenues as the services are provided. Rent and other payments received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Vacancy loss is recorded as a reduction in rental income. Rental units occupied by employees are included in gross rental income and as an offset through a revenue contra account to derive the net rental income as presented in the special-purpose statement of activities. There were no unsatisfied performance obligations as of June 30, 2021.

Advertising Costs

Advertising costs are charged to operations when incurred and totaled \$8,786 during the year ended June 30, 2021.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function.

Concentrations

For the year ended June 30, 2021, the majority of the Property's funding came from tenant's rent. Tenant's rental income comprised 99.94% of total revenue.

Use of Estimates

The preparation of special-purpose financial statements in conformity with basis of accounting previously described requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the special-purpose financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Abrams Park
Notes to the Special-Purpose Financial Statements
for the Fiscal Year Ended June 30, 2021

NOTE 2 - LIQUID AND AVAILABILITY

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

Cash and cash equivalents	\$ 1,287,449
Tenant receivables	<u>60,353</u>
Total available for general expenditure	<u><u>\$ 1,347,802</u></u>

As part of the Property's liquidity management plan, the Property deposits cash in savings and money market accounts.

NOTE 3 - MANAGEMENT AGREEMENT

As discussed in Note 1, the Property is managed under a management agreement between the City of Marina, City Marina Abrams B Non-Profit Corporation, LLC and Alliance Communities, Inc. Management fees paid to Alliance Communities, Inc., for the year ended June 30, 2021 totaled \$89,997.

NOTE 4 - SUBSEQUENT EVENTS

Management has evaluated all subsequent events from the statement of financial position date of June 30, 2021, through the date the special-purpose financial statements were available to be issued, August 18, 2022. Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the special-purpose financial statements, the Property had not yet suffered material adverse impact from the CV19 Crisis. However, the future impact of the CV19 Crisis cannot be reasonably estimated.