

**SACRAMENTO HOUSING AUTHORITY  
REPOSITIONING PROGRAM, INC.**

**(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND  
REDEVELOPMENT AGENCY)**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.  
(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND  
REDEVELOPMENT AGENCY)  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>3</b>
<b>STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION</b>	<b>4</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>5</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>6</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Sacramento Housing Authority Repositioning Program, Inc.  
Sacramento, California

We have audited the accompanying financial statements of the Sacramento Housing Authority Repositioning Program, Inc. (Corporation), a California nonprofit public benefit corporation and a component unit of the Sacramento Housing and Redevelopment Agency (Agency), as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, as listed in the table of contents.

### ***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 audit 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 auditors' 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 Corporation as of December 31, 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Prior Year Financial Statements*

The 2017 financial statements of the Corporation were audited by other auditors whose report dated July 13, 2018, expressed an unmodified opinion on those statements.



**CliftonLarsonAllen LLP**

Roseville, California  
June 21, 2019

**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.**  
**(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and Equivalents	\$ 1,375,080	\$ 3,078,463
Accounts Receivable	66,768	124,291
Accrued Interest Receivable	91,468	32,215
Notes Receivable, Current	24,540	-
Total Current Assets	<u>1,557,856</u>	<u>3,234,969</u>
<b>NONCURRENT ASSETS</b>		
Restricted Cash - Security Deposits	5,420	-
Prepaid Insurance and Impound Deposits	3,150	-
Capital Assets, Net	2,746,123	-
Notes Receivable, Net of Current Portion	1,481,333	1,284,627
Other Assets	253,642	253,642
Total Noncurrent Assets	<u>4,489,668</u>	<u>1,538,269</u>
Total Assets	<u>6,047,524</u>	<u>4,773,238</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	1,284	321
Accrued Liabilities	3,347	3,348
Unearned Revenue	305	305
Tenant Security Deposits	5,420	-
Notes Payable, Current Portion	21,247	-
Total Current Liabilities	<u>31,603</u>	<u>3,974</u>
<b>NONCURRENT LIABILITIES</b>		
Notes Payable, Net of Current Portion	<u>1,366,840</u>	-
Total Liabilities	<u>1,398,443</u>	<u>3,974</u>
<b>NET POSITION</b>		
Unrestricted	3,291,045	4,769,264
Net Investment in Capital Assets	1,358,036	-
Total Net Position	<u>\$ 4,649,081</u>	<u>\$ 4,769,264</u>

See accompanying Notes to Basic Financial Statements.

**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.**  
**(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>OPERATING REVENUES</b>		
Management Fees	\$ 66,218	\$ 64,291
Developer Fees	-	135,000
Tenant Rent	120,722	-
Maintenance Charges to Tenants	3,879	-
Total Operating Revenues	190,819	199,291
<b>OPERATING EXPENSES</b>		
Administrative Services	75,000	75,000
Services and Supplies	237,138	164,355
Depreciation	53,877	-
Total Operating Expenses	366,015	239,355
<b>OPERATING LOSS</b>	(175,196)	(40,064)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	95,736	73,540
Interest Expense	(40,723)	-
Total Nonoperating Revenues (Expenses)	55,013	73,540
<b>CHANGE IN NET POSITION</b>	(120,183)	33,476
Net Position - Beginning of Year	4,769,264	4,735,788
<b>NET POSTION - END OF YEAR</b>	\$ 4,649,081	\$ 4,769,264

See accompanying Notes to Basic Financial Statements.

**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.**  
**(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Receipts from Tenants	\$ 120,382	\$ -
Cash Receipts from Development Fees	60,000	127,434
Cash Receipts from Management Fees	63,740	102,417
Cash Receipts from Maintenance Fees	3,879	-
Cash Paid for Administrative Expenses	(76,847)	(144,310)
Cash Paid to Suppliers for Goods and Services	(237,138)	(164,355)
Net Cash Used by Operating Activities	(65,984)	(78,814)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	(1,400,000)	-
Payments on Notes Payable	(11,913)	-
Interest Paid	(40,723)	-
Net Cash Used by Financing Activities	(1,452,636)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in Notes Receivables	(221,246)	(1,043,210)
Interest Received	36,483	41,325
Net Cash Used by Investing Activities	(184,763)	(1,001,885)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,703,383)	(1,080,699)
Cash and Cash Equivalents - Beginning of Year	3,078,463	4,159,162
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,375,080	\$ 3,078,463
<b>RECONCILIATION OF CHANGES IN OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (175,196)	\$ (40,064)
Depreciation	53,877	-
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Decrease in Accounts Receivable	57,522	30,560
Increase in Deposits	(340)	-
Increase in Prepaid Insurance	(2,810)	-
Increase (Decrease) in Accounts Payable	963	(69,310)
Net Cash Used by Operating Activities	\$ (65,984)	\$ (78,814)
<b>NONCASH TRANSACTIONS</b>		
Building and Land Acquired through Notes Payable with Seller	\$ 1,400,000	\$ -

See accompanying Notes to Basic Financial Statements.

**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.**  
**(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS**

The Sacramento Housing Authority Repositioning Program, Inc. (the Corporation), a component unit of the Sacramento Housing and Redevelopment Agency (the Agency), is a nonprofit public benefit corporation organized for charitable purposes. The Corporation was formed on June 2, 2009 to benefit and support the City of Sacramento, the County of Sacramento, the Housing Authority of the County of Sacramento (HACOS), and the Housing Authority of the City of Sacramento (HACS) and its purposes by (1) acquiring, providing, developing, financing, rehabilitating, owning and operating decent, safe and sanitary housing affordable to persons and households of low income and by (2) assisting HACOS and HACS in combating blight and promoting social welfare through community based development activities.

The Corporation serves as the general partner of entities that will own, rehabilitate and operate former public housing properties acquired through the Department of Housing and Urban Development's (HUD) asset disposition process. The purpose of the Corporation is to allow the HACS and HACOS to leverage private sector capital to make improvements to housing inventory removed from the federal Public Housing program through HUD's asset disposition process. Assets transferred to the Corporation will be rehabilitated through various financing structures including the use of limited partnerships that will be able to benefit from the use of tax credit financing.

The Corporation is the sole member in three separate Limited Liability Companies (LLC). Each of the LLC's serves as the 1 Managing General Partner in each of the following Limited Partnerships (LP) and hold a general partnership interest as follows:

The Washington Plaza Housing Associates, LLC (WPHA LLC) owns a 0.01% interest in Washington Plaza Housing Associates, L.P. (WPHA LP), a low income housing apartment project located in Sacramento, California with 76 units.

The Sierra Vista Housing Associates, LLC (Sierra Vista LLC) owns a 0.01% interest in Sierra Vista Housing Associates, L.P. (Sierra Vista LP), a low income housing apartment project located in Sacramento, California with 78 units.

The Sutterview Housing Associates, LLC (Sutterview LLC) owns a 0.01% interest in Sutterview Housing Associates, L.P. (Sutterview LP), a low income housing apartment project located in Sacramento, California with 77 units.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, with the Corporation as the sole managing member of WPHA LLC, Sierra Vista LLC, and Sutterview LLC, the Corporation identifies each as a blended component unit.



**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.**  
**(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS (CONTINUED)**

The Corporation is governed by a five-member board of directors who are appointed by the Executive Director of the Agency. The board of directors approve the Corporation's annual budget and amendments to the Articles of Incorporation and Bylaws. Pursuant to the Corporation's Bylaws, the Executive Director of the Agency can remove members of the board of directors with or without cause. Upon future dissolution of the Corporation, and after paying or adequately providing for the debts and obligations of the Corporation, the remaining assets will be distributed to HACS for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. Although the Corporation is legally separate from the Agency, governmental accounting standards require the Corporation to be reported as a component unit of the Agency for financial reporting purposes.

Since the Agency (1) appoints the entire voting members of the Corporation's board of directors; (2) can impose its will on the Corporation by significantly influencing its programs, activities, and levels of service provided by the Corporation; (3) does not have substantively the same governing body; and (4) the Corporation does not entirely or exclusively provide services to the Agency, nor entirely benefitting the Agency, the Corporation is considered a discrete component unit of the Agency.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The basic accounting and reporting entity is a "fund". A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording resources, related liabilities, obligations, equity amounts and segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**Basis of Presentation**

The basic financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

Enterprise funds are accounted for on an economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows occur. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the Corporation are developer and management fees. Operating expenses for the Corporation include employee and administrative services, services and supplies, and utilities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.**  
**(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Corporation's cash includes amounts in demand deposit accounts.

For purposes of the statement of cash flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity date of three months or less from the date of purchase. As of December 31, 2018 and 2017, the Corporation did not have any investments.

**Accounts Receivable**

As of December 31, 2018 and 2017, balances in accounts receivable include \$66,218 and \$64,291, respectively, in partnership fees payable to the Corporation from WPHA LP, Sierra Vista LP, and Sutterview LP for which the Corporation serves as the general partner through the LLC. Additionally, the Corporation is owed \$550 from tenants as of December 31, 2018. The Corporation also recognized \$60,000 in accrued developer fees from Sutterview LP as of December 31, 2017, which were paid in 2018.

**Other Assets**

The Corporation's contributions to the LLCs and the LP's are reported in the statement of net position as other assets. As of December 31, 2018 and 2017, the Corporation has made contributions to WPHA LP.

**Capital Assets**

Capital assets, which are defined by the Corporation as assets with an initial, individual cost of more than \$5,000, are stated at cost. Depreciation is calculated using the straight-line method based on an estimated useful life of 27.5 years for buildings and improvements.

**Notes Receivable**

On July 13, 2016, the Corporation (lender) entered into a promissory note agreement with McCormack Baron Salazar, Inc. (borrower) in the amount of \$1,500,000. The borrower will use the funds only for predevelopment expenses connected with the development of Twin Rivers Phase 1 (Project). The note bears interest at 4.0% and is due and payable at the earlier of (i) the date the construction financing closes for the Project, or (ii) September 30, 2018, unless the term is extended in writing by the Lender prior to the termination date. On August 2, 2018, the borrower and the Corporation entered into the First Amendment to Promissory Note to extend the maturity date from the earlier of (i) the date the construction financing closes for the Project, or (ii) September 30, 2018 to December 31, 2020. At December 31, 2018 and 2017, the outstanding notes receivable balance was \$1,481,333 and \$1,284,627 respectively. Accrued interest on this loan was \$91,468 and \$32,215 at December 31, 2018 and 2017, respectively.

**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.  
(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Notes Receivable (Continued)**

On September 12, 2018 the Corporation (Lender) entered into a promissory note with Shasta Hotel Investors Partnership (borrower) in the amount of \$90,000. The borrower will use the funds only for emergency repairs connected with the Shasta Hotel, an 80-unit low income rental housing property. The note bears no interest and is due and payable on the earlier of (i) the date of closing on construction financing for substantial rehabilitation of the property, or December 31, 2019. At December 31, 2018 and 2017 the outstanding loan balance was \$24,540 and \$0, respectively.

**Net Position**

The Corporation utilizes a net position presentation. Net position can be categorized as net investment in capital assets, restricted, and unrestricted. As of December 31, 2018, the Corporation reported both net investment in capital assets and unrestricted net position. Unrestricted net position represents amounts that are not restricted as to their use.

**Operating Revenues**

Operating revenues of the Corporation consist of partnership management fees and developer fees earned as the managing general partner of the WPHA LP, Sierra Vista LP, and Sutterview LP.

**Administrative Expenses**

Administrative expenses include audit, legal, insurance and other expenses incurred by the Corporation in support of the Agency in its mission to improve the living conditions of low- and moderate-income people through the acquisition, development, rehabilitation, and management of affordable housing.

**Income Taxes**

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 23701(d) of the California Revenue and Taxation Code. As such, no provision is made for federal and state income taxes.

**Use of Estimates**

The preparation of the 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.

**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.**  
**(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 3 CASH AND INVESTMENTS**

At December 31, 2018 and 2017, the Corporation's cash and cash equivalents was \$1,380,500 and \$3,078,463, respectively, in a single demand deposit account with one financial institution and insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). Although the Corporation is not a government entity, its agreement with the financial institution is established as part of an agreement with the bank under the Agency. Therefore, its deposits are subject to collateralization as required by California Government Code.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Corporation's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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. 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. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of December 31, 2018 and 2017, the Corporation was not exposed to custodial credit risk.

**NOTE 4 CAPITAL ASSETS**

Information on additions and retirements of capital assets is presented below:

	Balance December 31, 2017	Additions	Retirements	Balance December 31, 2018
Capital Assets, Not Being Depreciated:				
Land	\$ -	\$ 429,416	\$ -	\$ 429,416
Capital Assets, Being Depreciated:				
Buildings and Improvements	-	2,370,584	-	2,370,584
Less: Accumulated Depreciation for:				
Buildings and Improvements	-	(53,877)	-	(53,877)
Total Depreciable Assets	-	2,316,707	-	2,316,707
Total Capital Assets, Net	\$ -	\$ 2,746,123	\$ -	\$ 2,746,123

**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.**  
**(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

On January 25, 2018, the Board of Directors of the Corporation deemed it to be in the best interest of the Corporation to acquire the property located at 510 North 12<sup>th</sup> Street Sacramento, California (the Property) for a purchase price of \$2,800,000 (the Purchase Price). The purchase was completed on May 5, 2018. Of that amount, SHARP contributed a total of \$1,400,000 million towards the purchase. The Corporation received a loan in the amount of \$1,400,000 to complete the purchase from the seller.

Depreciation expense for the year ended December 31, 2018 totaled \$53,877.

**NOTE 5 RELATED PARTY TRANSACTIONS**

***Partnership Management Fee***

Partnership management fees from WPHA LP, Sierra Vista LP, and Sutterview LP, for which each of the LLC's serves as general partner, are payable to the general partner in an annual amount equal to \$20,000, increasing by 3% per annum as defined in the Partnership Agreement. As of December 31, 2018, partnership management fees payable from WPHA LP, Sierra Vista LP, and Sutterview LP to the Corporation totaled \$22,510, \$21,855 and \$21,853, respectively. As of December 31, 2017, partnership management fees payable from WPHA LP, Sierra Vista LP, and Sutterview LP to the Corporation totaled \$21,855, \$21,218 and \$21,218, respectively.

The annual partnership management fees from each limited partnership is cumulative and is earned, but payable, only to the extent that cash flow is available for distribution in any year as defined in the respective Partnership Agreements.

***Administrative Services Agreement***

The Corporation has entered into an agreement with the HACS to provide administrative services related to asset management, operations and filing of required documents on behalf of the Corporation. The maximum annual asset management fee pursuant to the Administrative Services Agreement is \$75,000.

***Transition Reserve Fund Contribution***

On December 1, 2013, the Corporation entered into a funding agreement with WPHA LP to fund the shortfall, if any, of the required Transition Reserve Fund in the amount of \$360,000 per the Limited Partnership agreement. The Transition Reserve Fund would be funded upon the "Stabilization Date" of the property. In consideration for the Corporation's agreement to fund the shortfall, the Limited Partnership agrees that it will direct the Trustee to disburse the funds, if any, from the Transition Reserve Fund after the 5<sup>th</sup> anniversary of the "Stabilization Date" to the Corporation until such time the Corporation has been reimbursed in full for the amount funded. As of December 31, 2018 and 2017, the total amount funded by the Corporation was \$168,540.

**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.**  
**(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 6 FINANCIAL COVENANTS**

***Washington Plaza Housing Associates, L.P.***

Pursuant to the Continuing Guaranty and related agreements, the Corporation shall maintain Net Worth and Liquidity (both as hereinafter defined) of not less than \$850,000 until the “Deficit Release” (after five years of achieving a debt service coverage ratio of 1.15 measured as of the end of each Fiscal Year after Bond Loan Conversion has been achieved), and a minimum liquidity of \$500,000 from and after the “Deficit Release”. Pursuant to the agreements and approval of all parties, on November 30, 2016, Windfield Hill, Inc. withdrew as a member of the General Partner and the Corporation replaced BRIDGE Housing Corporation as guarantor.

***Sutterview Housing Associates, L.P.***

The Corporation shall maintain Net Worth and Liquidity (both as hereinafter defined) of not less than (a) \$850,000 during the period between (i) the later of the Stabilization Date or Loan Conversion and (ii) the date on which the obligation of the General Partner to make Operating Deficit Contributions under Section 5.14 of the Limited Partnership Agreement terminates, and (b) \$500,000 during the period between the date on which the obligation of the General Partner to make Operating Deficit Contributions under Section 5.14 of the Limited Partnership Agreement terminates and the expiration of the Compliance Period. As used in the Limited Partnership Agreement, the term “Net Worth” means the Corporation’s total assets minus the Corporation’s total liabilities, determined in accordance with generally accepted accounting principles, consistently applied. As used in the Limited Partnership Agreement, the term “Liquidity” refers to cash, cash equivalents and/or marketable securities which are unencumbered and freely transferable. Pursuant to the agreements and approval of all parties, on December 29, 2017, Windfield Hill, Inc. withdrew as a member of the General Partner and the Corporation replaced BRIDGE Housing Corporation as guarantor.

***Sierra Vista Housing Associates, L.P.***

On or after the date of the Limited Partner’s final capital contribution to the Sierra Vista LP, provided that if (a) there is no default by the General Partner or under the Guaranty, (b) the Corporation provides evidence acceptable to the Limited Partner in its sole discretion that the Corporation has a minimum liquidity of \$1,100,000, and (c) the General Partner provides evidence that the Corporation and the Agency are parties to an approved Administrative Services Agreement, then (i) Winfield Hill, Inc. may withdraw as a member of the General Partner or assign all of its membership interest in the General Partner to the Corporation such that the Corporation is the sole member of the General Partner, and (ii) the Corporation may replace BRIDGE Housing Corporation as guarantor provided that the Corporation executes the Guaranty and that such Guaranty shall include the following provision: (iii) the Corporation shall maintain a minimum liquidity of \$1,100,000. Pursuant to the agreements and approval of all parties, on December 27, 2017, Windfield Hill, Inc. withdrew as a member of the General Partner and the Corporation replaced BRIDGE Housing Corporation as guarantor.

**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.**  
**(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 7 NOTES PAYABLE**

On April 30, 2018, the Corporation (borrower) entered into a promissory note agreement with Carson/Craig Partnership (lender) in the amount of \$1,400,000 for the purchase of the property located at 510 North 12<sup>th</sup> Street Sacramento, California (the Property). The note bears interest at 5.0% and is payable in monthly installments of approximately \$7,519 over the course of five years commencing on June 1, 2018 and to be paid in full on June 1, 2023. The note is collateralized by a first deed of trust on the land and building, assignment of rents and security agreements. As of December 31, 2018, the balance on the notes payable is \$1,388,087.

Annual debt service requirements to maturity are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 21,247	\$ 68,991	\$ 90,238
2020	22,335	67,903	90,238
2021	23,479	66,759	90,238
2022	24,681	65,556	90,237
2023	1,296,345	26,946	1,323,291
Total	<u>\$ 1,388,087</u>	<u>\$ 296,155</u>	<u>\$ 1,684,242</u>

The following is a summary of the notes payable transactions for the years ended December 31, 2018.

<u>Balance December 31, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2018</u>	<u>Amount Due Within One Year</u>
<u>\$ -</u>	<u>\$ 1,400,000</u>	<u>\$ (11,913)</u>	<u>\$ 1,388,087</u>	<u>\$ 21,247</u>

**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.**  
**(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 8 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS**

	Blended Component Units				12/31/18 Total
	Washington Plaza Housing Associates, LLC	Sierra Vista Housing Associates, LLC	Sutterview Housing Associates, LLC	SHARP	
<b>Assets</b>					
Unrestricted Cash	\$ 1,133,260	\$ 63,038	\$ 147,967	\$ 30,815	\$ 1,375,080
Restricted Cash	-	-	-	5,420	5,420
Accounts Receivable	22,510	21,855	113,321	550	158,236
Notes Receivable	-	-	1,505,873	-	1,505,873
Noncurrent Assets	253,592	-	50	3,150	256,792
Capital Assets	-	-	-	2,746,123	2,746,123
Total Assets	<u>\$ 1,409,362</u>	<u>\$ 84,893</u>	<u>\$ 1,767,211</u>	<u>\$ 2,786,058</u>	<u>\$ 6,047,524</u>
<b>Liabilities</b>					
Current Liabilities	\$ 3,269	\$ -	\$ 383	\$ 6,704	\$ 10,356
Notes Payable	-	-	-	1,388,087	1,388,087
Total Liabilities	<u>3,269</u>	<u>-</u>	<u>383</u>	<u>1,394,791</u>	<u>1,398,443</u>
<b>Net Position</b>					
Net Investment in Capital Assets	-	-	-	1,358,036	1,358,036
Unrestricted	1,406,093	84,893	1,766,828	33,231	3,291,045
Total Net Position	<u>1,406,093</u>	<u>84,893</u>	<u>1,766,828</u>	<u>1,391,267</u>	<u>4,649,081</u>
Total Liabilities and Net Position	<u>\$ 1,409,362</u>	<u>\$ 84,893</u>	<u>\$ 1,767,211</u>	<u>\$ 2,786,058</u>	<u>\$ 6,047,524</u>



**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.**  
**(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 8 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS  
(CONTINUED)**

	Blended Component Units				12/31/18 Total
	Washington Plaza Housing Associates, LLC	Sierra Vista Housing Associates, LLC	Sutterview Housing Associates, LLC	SHARP	
<b>Operating Revenues</b>					
Management Fees	\$ 22,510	\$ 21,855	\$ 21,853	\$ -	\$ 66,218
Tenant Rent	-	-	-	120,722	120,722
Maintenance Charges to Tenants	-	-	-	3,879	3,879
Total Operating Revenues	<u>22,510</u>	<u>21,855</u>	<u>21,853</u>	<u>124,601</u>	<u>190,819</u>
<b>Operating Expenses</b>					
Administrative Services	25,000	25,000	25,000	-	75,000
Services and Supplies	59,180	58,584	62,726	56,648	237,138
Depreciation	-	-	-	53,877	53,877
Total Operating Expenses	<u>84,180</u>	<u>83,584</u>	<u>87,726</u>	<u>110,525</u>	<u>366,015</u>
Operating Income (Loss)	<u>(61,670)</u>	<u>(61,729)</u>	<u>(65,873)</u>	<u>14,076</u>	<u>(175,196)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest Income	23,731	5,193	66,812	-	95,736
Interest Expense	-	-	-	(40,723)	(40,723)
Transfers in (out)	<u>(472,638)</u>	<u>(472,638)</u>	<u>(472,638)</u>	<u>1,417,914</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(448,907)</u>	<u>(467,445)</u>	<u>(405,826)</u>	<u>1,377,191</u>	<u>55,013</u>
<b>Change in Net Position</b>	<u>(510,577)</u>	<u>(529,174)</u>	<u>(471,699)</u>	<u>1,391,267</u>	<u>(120,183)</u>
Total Net Position - Beginning of Year	<u>1,916,670</u>	<u>614,067</u>	<u>2,238,527</u>	<u>-</u>	<u>4,769,264</u>
<b>Total Net Position - End of Year</b>	<u>\$ 1,406,093</u>	<u>\$ 84,893</u>	<u>\$ 1,766,828</u>	<u>\$ 1,391,267</u>	<u>\$ 4,649,081</u>

**SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.  
(A COMPONENT UNIT OF THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY)  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 8 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS  
(CONTINUED)**

	Blended Component Units				12/31/18 Total
	Washington Plaza Housing Associates, LLC	Sierra Vista Housing Associates, LLC	Sutterview Housing Associates, LLC	SHARP	
<b>Net Cash Provided (Used) By</b>					
Operating Activities	\$ (68,405)	\$ (68,444)	\$ (12,586)	\$ 83,451	\$ (65,984)
Capital and Related Financial Activities	(466,666)	(466,667)	(466,667)	(52,636)	(1,452,636)
Investing Activities	23,731	5,193	(213,687)	-	(184,763)
<b>Net Increase (Decrease) in Cash</b>	(511,340)	(529,918)	(692,940)	30,815	(1,703,383)
Cash and Cash Equivalents - Beginning of Year	1,644,600	592,956	840,907	-	3,078,463
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 1,133,260</u>	<u>\$ 63,038</u>	<u>\$ 147,967</u>	<u>\$ 30,815</u>	<u>\$ 1,375,080</u>