
ABRAMS PARK
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
For the Years Ended June 30, 2019 and 2018

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**ABRAMS PARK
SPECIAL-PURPOSE FINANCIAL STATEMENTS
June 30, 2019 and 2018**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Marina, California

We have audited the accompanying special-purpose financial statements of Abrams Park (the Property) as of and for the years ended June 30, 2019 and 2018, and the related notes to the special-purpose financial statements, which collectively comprise the Property's basic special-purpose financial statements as listed in the table of contents.

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 to the special-purpose financial statements; 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 an opinion on these special-purpose 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 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 entity'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 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 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.

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the special-purpose financial statements of Abrams Park as of and for the years ended June 30, 2019 and 2018, and the respective changes in financial position, and its cash flows for the years 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, 2019 and 2018, excluding the Property's capital assets, and the changes in its net position and cash flows for the years ending June 30, 2019 and 2018, 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 Non-Profit Corporation, LLC (See Note 1) and 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 is not modified with respect to that matter.

Other Matters

Other Information

The schedule of operating expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose financial statements or to the special-purpose financial statements themselves, and other additional procedures in accordance with the basis of accounting described in Note 1 to the special-purpose financial statements. In our opinion, the schedule of operating expenses is fairly stated, in all material respects, in relation to the special-purpose financial statements as a whole.

Manq, Ursutig, Nelson CPAs

Sacramento, California
November 5, 2020

**ABRAMS PARK
SPECIAL-PURPOSE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

ASSETS		<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and cash equivalents (Note 2)	\$	1,087,367	\$ 820,398
Tenant receivables		6,830	4,312
Prepaid expenses		<u>100,374</u>	<u>51,041</u>
Total Current Assets		<u>1,194,571</u>	<u>875,751</u>
NON-CURRENT ASSETS			
Cash restricted for equipment purchases (Note 2)		<u>1,273,373</u>	<u>1,639,180</u>
TOTAL ASSETS	\$	<u><u>2,467,944</u></u>	<u><u>\$ 2,514,931</u></u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	299,172	\$ 674,797
Deferred revenue		<u>11,582</u>	<u>10,088</u>
Total Current Liabilities		<u>310,754</u>	<u>684,885</u>
NON-CURRENT LIABILITIES			
Tenant security deposits		<u>278,984</u>	<u>281,258</u>
Total Liabilities		<u>589,738</u>	<u>966,143</u>
Net position - unrestricted		<u>1,878,206</u>	<u>1,548,788</u>
TOTAL LIABILITIES AND NET POSITION	\$	<u><u>2,467,944</u></u>	<u><u>\$ 2,514,931</u></u>

See Notes to Special-Purpose Financial Statements

ABRAMS PARK
SPECIAL-PURPOSE STATEMENTS OF ACTIVITIES AND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Rental income, net	\$ <u>3,460,528</u>	\$ <u>3,312,773</u>
OPERATING EXPENSES		
Administrative	386,561	422,993
Utilities	104,489	119,941
Operating and maintenance	878,755	1,504,257
Taxes and insurance	<u>242,801</u>	<u>167,095</u>
Total Operating Expenses	<u>1,612,606</u>	<u>2,214,286</u>
Net Operating income	<u>1,847,922</u>	<u>1,098,487</u>
OTHER INCOME		
Miscellaneous revenue	-	430
Interest income	<u>13,716</u>	<u>3,918</u>
Total Other Income	<u>13,716</u>	<u>4,348</u>
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS TO OWNER	1,861,638	1,102,835
Distributions to Owner	<u>1,532,220</u>	<u>1,532,220</u>
CHANGE IN NET POSITION	329,418	(429,385)
NET POSITION, BEGINNING OF PERIOD	<u>1,548,788</u>	<u>1,978,173</u>
NET POSITION, END OF PERIOD	<u>\$ <u>1,878,206</u></u>	<u>\$ <u>1,548,788</u></u>

See Notes to Special-Purpose Financial Statements

**ABRAMS PARK
SPECIAL-PURPOSE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net position before distributions to owner	\$ 1,861,638	\$ 1,102,835
Adjustments to reconcile changes in net position to net cash flows provided by operating activities:		
Decrease (increase) in operating assets:		
Tenant receivables	(2,518)	(1,819)
Prepaid Expenses	(49,333)	(2,531)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(375,625)	624,367
Deferred revenue	1,494	(8,208)
Tenant security deposits	<u>(2,274)</u>	<u>3,209</u>
Net cash flows provided by operating activities	<u>1,433,382</u>	<u>1,717,853</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Distributions to owner	<u>(1,532,220)</u>	<u>(1,532,220)</u>
Net cash flows used for financing activities	<u>(1,532,220)</u>	<u>(1,532,220)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(98,838)</u>	<u>185,633</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>2,459,578</u>	<u>2,273,945</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 2,360,740</u>	<u>\$ 2,459,578</u>
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</u>		
Cash and cash equivalents	\$ 1,087,367	\$ 820,398
Cash restricted for equipment purchases	<u>1,273,373</u>	<u>1,639,180</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 2,360,740</u>	<u>\$ 2,459,578</u>

See Notes to Special-Purpose Financial Statements

**ABRAMS PARK
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1: SUMMARY OF 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 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, 2019 and 2018, 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.

Use of Estimates

The preparation of these special-purpose financial statements in conformity with the basis of accounting described above 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 special-purpose financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

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.

Concentration of Credit Risk

Financial instruments that potentially subject the Property to concentrations of credit risk consist of cash and cash equivalents, to the extent they exceed federal insurance limits. The Property mitigates risks to its cash and cash equivalents by banking with creditworthy financial institutions.

Revenue Recognition

Rental income is recorded at maximum gross potential. 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 Statements of Activities.

Deferred Revenue

Deferred revenue consists of tenant rental prepayments.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense totaled \$7,138 and \$8,853 for the years ended June 30, 2019 and 2018, respectively.

**ABRAMS PARK
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rental Units Below Market Value

In accordance with the Management Agreement, tenants may qualify for rental rates below current market values according to household size and income. For the year ended June 30, 2019, the Property had 71 units rented below market value. For the year ending June 30, 2018, the Property had 64 units rented below market value.

Subsequent Events

The World Health Organization declared the worldwide coronavirus (COVID-19) outbreak a public health emergency on January 30, 2020 and officially declared it as a pandemic as of March 11, 2020. As of November 5, 2020, the date the special-purpose financial statements were to be issued, management has performed an evaluation of certain financial statement line items to determine whether valuation or impairment adjustments should be made. Management has determined that the amounts reported in the special-purpose financial statements are properly valued as of December 31, 2019. However, since the duration and full effects of the COVID-19 outbreak are yet unknown there could be future impacts to the financial condition of the Association.

The Property has evaluated subsequent events through November 5, 2020, which is the date the special-purpose financial statements were available to be issued.

NOTE 2: CASH AND CASH EQUIVALENTS

The Property maintains three accounts at one financial institution. As of June 30, 2019 and 2018, book balances totaled \$2,360,740 and \$2,459,578, respectively. Bank balances totaled \$2,352,166 and \$2,460,515 as of June 30, 2019 and 2018, respectively.

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.

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, 2019 and 2018, the reserve balance was \$1,273,373 and \$1,639,180, respectively, and was included in the book and bank balances above.

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 years ended June 30, 2019 and 2018 totaled \$86,537 and \$83,382, respectively.

SUPPLEMENTAL INFORMATION

**ABRAMS PARK
SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Administrative		
Office salaries	\$ 54,284	\$ 61,225
Office supplies	92,574	140,395
Office support and development	16,056	13,722
Bank and credit bureau fees	7,009	8,733
Management fees	86,537	83,382
Management salaries	75,183	56,052
Management consulting fees	17,526	25,183
Legal	9,406	8,872
Telephone	20,848	16,576
Advertising and renting	<u>7,138</u>	<u>8,853</u>
Total Administrative	<u>386,561</u>	<u>422,993</u>
Utilities		
Electricity	8,099	10,381
Gas	520	391
Water, trash and sewer	<u>95,870</u>	<u>109,169</u>
Total Utilities	<u>104,489</u>	<u>119,941</u>
Operating and maintenance		
Janitorial services and supplies	14,547	79,778
Maintenance payroll	152,950	190,633
Maintenance services and supplies	54,951	83,608
Exterminating contract and supplies	7,613	5,749
Grounds contract and supplies	62,518	86,600
Security	731	625
Carpet cleaning and replacement	162,953	81,942
Other replacements	411,143	973,242
Miscellaneous	<u>11,349</u>	<u>2,080</u>
Total Operating and Maintenance	<u>878,755</u>	<u>1,504,257</u>
Taxes and insurance		
Payroll taxes	15,313	16,556
Property taxes	47,927	47,129
Property and liability insurance	<u>179,561</u>	<u>103,410</u>
Total Taxes and Insurance	<u>242,801</u>	<u>167,095</u>
Total Operating Expenses	<u>\$ 1,612,606</u>	<u>\$ 2,214,286</u>