



Eureka Housing Associates
A California Limited Partnership
735 West Everding Street
Eureka, California 95503
(707)443-4583/FAX (707) 443-4762

EUREKA HOUSING ASSOCIATES

Board Meeting

Tuesday, January 18, 2022
7:30pm

Housing Authority Office
735 West Everding Street, Eureka, CA 95503

Participate Via Zoom Meeting

Join Zoom meeting at <https://us02web.zoom.us/join> or call (669) 900-6833
Meeting ID: 870 1254 8835 Passcode: 695956

- (1) Roll Call
- (2) Minutes for the November 16, 2020 meeting
Recommended Board Action – Review and Approve
- (3) Annual Meeting - Election of Officers
Recommended Board Action - Elect Officers
- (4) Resolution 01-2021 Approve and Accept Audit of Financial Statements for FYE December 31, 2020 and December 31, 2019.
Recommended Board Action - Review for Approval and Acceptance

Adjournment

The Eureka Housing Associates Board of Officers met on Monday, November 16, 2020. This Session was held via conference call and Zoom with the Board members due to the Covid-19 pandemic.

President Escarda calls the annual meeting to order at 8:01pm.

- (1) Roll Call:
Present: Kay Escarda -President
Kali Serotta – Vice President
Cheryl Churchill – Secretary/Treasurer

Absent: None

Staff: Cheryl Churchill, Dustin Wiesner, Heather Briggs

- (2) Minutes for the November 18, 2019 Meeting

Vice President Serotta made a motion to approve the minutes of November 18, 2019.

Secretary/Treasurer Churchill seconded the motion.

Roll Call: AYES: Escarda, Serotta, Churchill
NAYS: None

President Escarda declared the motion carried and the minutes of November 18, 2019 approved.

- (3) Annual Meeting – Election of Officers: Vice President Serotta motions to keep the same slate of Officers of Kay Escarda as President, Kali Serotta as Vice President and Cheryl Churchill as Secretary/Treasurer

Secretary/Treasurer Churchill seconded the motion.

Officers appointed for the years 2020-2021 elected:

Kay Escarda – President
Kali Serotta – Vice President
Cheryl Churchill – Secretary/Treasurer

Roll Call: AYES: Escarda, Serotta, Churchill
NAYS: None

President Escarda declared the motion carried and approved the Officers for 2020-2021.

- (4) Resolution 01-2020
Annual Audit of Financial Statements for FYE December 31, 2019 and December 31, 2018
Recommended Board Action: Accept and Adopt for Approval

Eureka Housing Associates
Eureka CA
November 16, 2020

Resolution 01-2020

Resolution to Approve and Accept Audit Report
For The Years Ended
December 31, 2019 and December 31, 2018

WHEREAS, The Eureka Housing Associates Board directed the Executive Director to enter into a contract with Smith Marion & Company, Certified Public Accountants, to do the annual audit of the Limited Partnership.

WHEREAS, The Annual Audit has been completed and the Audit Report has been submitted to the Board for review and approval; and

WHEREAS, The Audit of the Eureka Housing Associates has been reviewed and discussed by the Board.

NOW, THEREFORE, BE IT RESOLVED, That the Board of The Eureka Housing Associates do hereby accept the audit reports for years ended December 31, 2019 and December 31, 2018 and approve payment to Smith Marion & Company, Certified Public Accountants, for audit services.

Motion to approve and accept Resolution 01-2020 the audit for the fiscal year Ending December 31, 2019 and December 31, 2018 made by Vice President Serotta.

Secretary/Treasurer Churchill seconded the motion.

Roll Call: AYES: Escarda, Serotta, Churchill
 NAYS: None

President Escarda declared the motion carried to approve Resolution 01-2020.

There being no further business to come before the Commissioners, the meeting was adjourned at 8:17pm.

Kay Escarda, President

Kali Serotta, Vice President

Eureka Housing Associates

Board Meeting

January 18, 2022

Agenda Item 4

Memorandum

To: Board Members

From: Cheryl Churchill, Secretary/Treasurer

Subject: Eureka Housing Associates, Annual Meeting and Audit Review and Approval

BACKGROUND AND HISTORY:

In accordance with the law, the Board of the Eureka Housing Associates must conduct an Annual Meeting and review the Financial Audit for Fiscal Year Ending December 31, 2020 and December 31, 2019.

STAFF RECOMMENDATION:

Please review the audit for discussion at our annual meeting.

EUREKA HOUSING ASSOCIATES, LP

A California Limited Partnership

Financial Statements and Independent Auditors' Report

December 31, 2020 and 2019



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Smith Marion & Co. • Certified Public Accountants
Redlands Office • 1940 Orange Tree Lane, Suite 100 • Redlands, CA 92374 • (909) 307-2323

INDEPENDENT AUDITORS' REPORT

The Governing Body of
Eureka Housing Associates, LP

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Eureka Housing Associates, LP (Partnership), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of profit and loss, changes in partner's capital, 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 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 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 Partnership'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 Partnership'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 Partnership as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Smith Marion & Co.

July 7, 2021
Redlands, CA

Eureka Housing Associates, LPBalance Sheets
December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and equivalents - operating	\$ 40,095	\$ 15,142
Accounts receivable (net of allowances)	388	745
Prepaid expenses	3,039	2,644
Total current assets	<u>43,522</u>	<u>18,531</u>
 Tenant deposits held in trust	 <u>12,203</u>	 <u>11,610</u>
 Restricted deposits:		
Operating reserve	43,269	40,464
Replacement reserve	67,929	140,632
Total restricted deposits	<u>111,198</u>	<u>181,096</u>
 Property and equipment, at cost:		
Land	248,004	248,004
Buildings and improvements	1,573,243	1,491,518
Furniture and equipment	36,785	36,785
Total acquisition costs	1,858,032	1,776,307
Less accumulated depreciation	<u>(950,314)</u>	<u>(916,860)</u>
Property and equipment, net	<u>907,718</u>	<u>859,447</u>
 Total Assets	 <u><u>\$ 1,074,641</u></u>	 <u><u>\$ 1,070,684</u></u>

Eureka Housing Associates, LPBalance Sheets
December 31, 2020 and 2019

	2020	2019
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable - operations	\$ 3,241	\$ 4,058
Accrued liabilities	5,181	4,902
Prepaid rent	484	871
Current portion of accrued vacation payable	54	113
Current portion of loans and notes payable	19,342	18,267
Total current liabilities	<u>28,302</u>	<u>28,211</u>
Tenant security deposits	<u>12,203</u>	<u>11,610</u>
Noncurrent liabilities:		
Other due to related party	60,000	52,500
Accrued vacation payable, net of current portion	1,756	3,683
Related party promissory note	470,000	470,000
Accrued interest on related party note	473,439	447,589
Loans and notes payable, net	469,786	488,094
Accrued interest on loans and notes	214,500	204,600
Total noncurrent liabilities:	<u>1,689,481</u>	<u>1,666,466</u>
Total liabilities	<u>1,729,986</u>	<u>1,706,287</u>
Partners' capital	<u>(655,345)</u>	<u>(635,603)</u>
Total Liabilities and Partners' Capital	<u>\$ 1,074,641</u>	<u>\$ 1,070,684</u>

Eureka Housing Associates, LPStatements of Operations
December 31, 2020 and 2019

	2020	2019
Revenues:		
Operating subsidy	\$ 113,398	\$ 97,661
Dwelling rent	77,842	79,235
Other tenant charges	422	825
Miscellaneous income	<u>1,118</u>	<u>146</u>
Total revenue	<u>192,780</u>	<u>177,867</u>
Operating expenses:		
General and administrative	7,654	8,109
Partnership management fee	7,500	7,500
Property management fee	11,052	11,052
Payroll and benefits	34,548	41,410
Utilities	23,415	21,783
Property insurance	2,644	2,002
Maintenance and operations	39,493	47,144
Collection losses	-	384
Tenant services	183	62
Professional services	<u>5,636</u>	<u>3,861</u>
Total operating expenses	<u>132,125</u>	<u>143,307</u>
Income from operations	<u>60,655</u>	<u>34,560</u>
Non-operating revenues (expenses):		
Interest income	55	107
Interest expense	(46,998)	(47,223)
Depreciation	<u>(33,454)</u>	<u>(34,201)</u>
Total non-operating expense	<u>(80,397)</u>	<u>(81,317)</u>
Net Loss	<u>\$ (19,742)</u>	<u>\$ (46,757)</u>

Eureka Housing Associates, LP

Statements of Changes in Owner's Equity
December 31, 2020 and 2019

	2020	2019
Partners' capital, beginning of year	\$ (635,603)	\$ (588,846)
Net loss	<u>(19,742)</u>	<u>(46,757)</u>
Partners' Capital, End of Year	<u>\$ (655,345)</u>	<u>\$ (635,603)</u>

Eureka Housing Associates, LP

Statements of Cash Flows
December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net loss	\$ (19,742)	\$ (46,757)
Adjustments to reconcile:		
Depreciation	33,454	34,201
Collection losses	-	384
Accrued interest	35,750	35,750
Changes in operating accounts:		
Accounts receivable	357	(1,019)
Prepaid expenses	(395)	886
Accounts payable and accrued liabilities	(538)	1,534
Prepaid rent	(387)	(921)
Accrued vacation payable	(1,986)	560
Tenant security deposits	593	614
Net cash flows provided by operating activities	<u>47,106</u>	<u>25,232</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(81,725)</u>	<u>-</u>
Net cash flows used by investing activities	<u>(81,725)</u>	<u>-</u>
Cash flows from financing activities:		
Other receipts from related parties	7,500	7,500
Principal payments on mortgage loan payable	<u>(17,233)</u>	<u>(17,007)</u>
Net cash flows used by financing activities	<u>(9,733)</u>	<u>(9,507)</u>
Net increase (decrease) in cash	(44,352)	15,725
Cash at beginning of period	<u>207,848</u>	<u>192,123</u>
Cash at End of Period	<u>\$ 163,496</u>	<u>\$ 207,848</u>
<i>Reconciliation to cash on balance sheet:</i>		
Cash and equivalents - operating	\$ 40,095	\$ 15,142
Tenant deposits held in trust	12,203	11,610
Operating reserve	43,269	40,464
Replacement reserve	<u>67,929</u>	<u>140,632</u>
Total Cash and Equivalents	<u>\$ 163,496</u>	<u>\$ 207,848</u>

NOTE 01 - NATURE OF BUSINESS AND ORGANIZATION

Eureka Housing Associates, LP (Partnership, us, we, our) was formed in June 1998, to own, develop, construct, maintain, and operate a housing project consisting of twenty-two (22) scattered site residential units. The units are provided for persons of low and very-low income, pursuant to the rules and regulations of Section 42 of the Internal Revenue Code. The project is located in the City of Eureka, California. The major activity of the Partnership is governed by the Partnership Agreement.

The Partnership has one general partner, Eureka Housing Development Corporation (A California Nonprofit Public Benefit Corporation) and one investing limited partner. The Board of Directors of the Eureka Housing Development Corporation is appointed by the Board of Directors of the Housing Authority of the City of Eureka.

Partnership transactions with the partners are described in other notes to these financial statements.

NOTE 02 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expense are recognized in the accounts and reported in the financial statements.

We use the accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both earned and measurable to finance expenditures of the current fiscal period. Expenses are recognized in the accounting period in which the liability is incurred (when goods are received, or services rendered). Funds received in advance for which services have not been performed are treated as deferred revenue. In such instances, revenue is recognized as the earning process is completed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These assumptions affect the reported amounts of assets, liabilities, and the amount of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Equivalents

For purposes of the statements of cash flows, we include all cash accounts which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents on the accompanying balance sheets.

Property and Equipment

Property, equipment, and improvements are recorded at cost and are depreciated using the straight-line method of depreciation over estimated useful lives ranging from 9 to 40 years. Capital expenditures in excess of \$5,000 are capitalized, while capital expenditures below the threshold are charged as expenses during the period in which they were incurred.

Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the Statement of Profit and Loss.

Rental Income and Tenant Receivables

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All tenant leases are operating leases. Allowance for losses on tenant receivables as of December 31, 2020 was \$0.00.

Amortization of Deferred Debt Expense

Deferred debt expense refers to certain capitalizable expenses incurred during the obtaining of debt. They are capitalized and amortized over the following estimated useful lives using the straight-line method over the 20-year life of the loan.

Income Taxes

No provision is included in these statements for income taxes since we operate as a limited liability company and have elected to be taxed as a partnership. Accordingly, each member is responsible for his or her respective share of the Partnership's net income (loss) for the year.

We believe that all positions taken by us in regard to its federal tax returns are more likely than not to be sustained upon examination. The Partnership files income tax returns in the U.S. Federal jurisdiction as well as the State of California.

Component Unit

The Partnership is considered a component unit of the Housing Authority of the City of Eureka (EHA). As a component unit of the Housing Authority, the financial activity of the Partnership is also reported in the financial statements of the Housing Authority. The Housing Authority manages the daily operations of the organization. The Partnership has no employees; however, the staff of the Housing Authority allocate part of their salary and benefit expenses to the Company.

Subsequent Events

We evaluated the activity of the Partnership through July 7, 2021, the date the financial statements were available to be issued.

NOTE 03 - RESERVE DEPOSITS

Activity for reserve deposits that are restricted for operating deficit reserve and replacement reserve are as follows:

	2019	Deposits/Interest	Uses	2020
Operating reserve	\$ 40,464	\$ 2,805	\$ -	\$ 43,269
Replacement reserve	140,632	9,022	(81,725)	67,929
	<u>\$ 181,096</u>	<u>\$ 11,827</u>	<u>\$ (81,725)</u>	<u>\$ 111,198</u>

Operating Reserve

Our Limited Partnership agreement requires us to establish an operating reserve equal to \$6,200 and continue to make annual additions. For the year ended December 31, 2020, \$2,805 of additions were added to the Operating reserve from deposits and interest with a planned deposit increase of 3.5% for next year. Funds in the operating reserve may be used to pay operating deficits.

Replacement Reserve

Our Limited Partnership agreement requires us to establish a Replacement reserve of \$5,833 and continue to make annual additions. For the year ended December 31, 2020, \$9,022 of additions were added to the Replacement reserve from deposits and interest with a planned deposit increase of 2% for next year. Funds in the Replacement reserve are restricted to renovation, replacement and/or special maintenance of the property.

NOTE 04 - LOANS AND NOTES PAYABLE

Loans and notes payable were comprised of the following:

	2020	2019
Note payable to the Redevelopment Agency of the City of Eureka, the note provides for interest at 3.00% annually for a term of 30 years with annual payments payable to the extent there is available cash flow. Due June 18, 2028. Accrued interest on this note was \$214,500, at year end.	\$ 330,000	\$ 330,000
Note payable to Umpqua Bank, the note provides for monthly required payments of \$2,373. The stated interest rate is 5.50%. The loan matures on May 20, 2028.	<u>172,531</u>	<u>190,530</u>
Total loans and notes payable	502,531	520,530
Less unamortized financing fees on loans	<u>(13,403)</u>	<u>(14,169)</u>
Loans and Notes Payable, Net of Financing Fees	<u><u>\$ 489,128</u></u>	<u><u>\$ 506,361</u></u>

The residential units are pledged as collateral for the notes and are secured by deeds of trust, assignment of rents, security agreements, and fixture filings against the property.

Aggregate maturities of principal on our debt for the next five years are as follows:

Year ended December 31,	
2021	\$ 19,342
2022	20,801
2023	21,974
2024	23,213
2025	24,523
Thereafter	379,275
	<u>\$ 489,128</u>

The aggregate amortization expense charged to operations was \$766 for each of the years ended December 31, 2020 and 2019.

NOTE 05 - BUSINESS RISK AND CONCENTRATIONS

Geographical Location

The Partnership's sole assets are the twenty-two (22) residential units known as Eureka Senior Housing located in Eureka, CA.

Regulatory Environment

The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the project are subject to the administrative directives, rules, and regulations of state and local regulatory agencies. Such administrative directives, rules, and regulations are subject to change and such changes may occur with little notice or inadequate funding to pay for related costs, including the additional administrative burden to comply with a change.

Custodial Risk

Our cash deposits are held by one financial institution, with a minimum \$250,000 covered by federal depository insurance. No deposits exceeded insurance coverage as of December 31, 2020.

Major Revenue Source

For the years ended December 31, 2020 and 2019, EHA provided the Partnership with 58.8% and 54.9% of its total revenue through operating subsidies.

NOTE 06 - COMMITMENTS AND CONTINGENCIES

As a condition for receiving the loans from the Housing Authority of the City of Eureka, we entered into a Regulatory Agreement and Declaration of Restrictive Covenants. Under these Agreements, the Partnership shall maintain the project as a Qualified Low-income Housing Project by restricting at least 10% of the residential units to tenants who have income at or below 50% of the area median gross income with the remainder of the units reserved for tenants who have income at or below 60% of the area median gross income. The Agreements also restrict the amount of rents charged to tenants.

NOTE 07 - RELATED-PARTY TRANSACTIONSPartnership Management Fee

The Partnership entered into a partnership management agreement with Eureka Housing Development Corporation, which is also the general partner of the Partnership. Under this agreement, the Partnership agreed to pay the General Partner an annual partnership management fee in the amount of \$7,500 per year, out of excess cash flows.

Sponsor Loan

The Housing Authority of the City of Eureka provided the Partnership with a loan in the amount of \$470,000. The loan provides for interest at 5.5% for a term of 30 years (due June 18, 2028) with annual payments due on July 1 of each calendar year. The annual payments are only payable to the extent there is available cash flow. For both December 31, 2020 and 2019, the outstanding principal balance was \$470,000. Accrued interest amounted to \$473,439 and \$447,589 for December 31, 2020 and 2019, respectively.

Other Due to Related Party

The Partnership owes the Housing Authority of the City of Eureka for expenses paid on the Partnership's behalf. As of December 31, 2020, the balance was \$60,000 and is reflected on the accompanying balance sheet as due to related party. This liability bears no interest and is payable from available cash flow.

Housing Assistance Payments

The Partnership rents to households that may also have subsidized rental assistance under the Housing Authority of the County of Humboldt's (HACH) Housing Choice Voucher (HCV) program. A tenant utilizing a voucher would pay a portion of their rent directly to the partnership, while the remaining portion is paid from HACH as dictated by the HCV program.

For the year ended December 31, 2020, Housing Assistance Payments totaled \$113,398.

Resolution 01-2021

Resolution to Approve and Accept Audit Report

For the year ended December 31, 2020 and December 31, 2019

WHEREAS, The Eureka Housing Associates Board directed the Executive Director to enter into a contract with Smith Marion & Company, Certified Public Accountants, to do the annual audit of the Limited Partnership.

WHEREAS, The Annual Audit has been completed and the Audit Report has been submitted to the Board for review and approval; and

WHEREAS, The Audit of the Eureka Housing Associates has been reviewed and discussed by the Board.

NOW, THEREFORE, BE IT RESOLVED, That the Board of The Eureka Housing Associates do hereby accept the audit reports for the year ended December 31, 2020 and December 31, 2019 and approve payment to Smith Marion & Company, Certified Public Accountants, for audit services.

(Name)

(Name)

(Name)

Title

Title

Title

Signature

Signature

Signature