

**METROPOLITAN AREA ADVISORY COMMITTEE
ON ANTI-POVERTY OF SAN DIEGO, INC.
AND AFFILIATES**

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022 AND 2021



**METROPOLITAN AREA ADVISORY COMMITTEE
ON ANTI-POVERTY OF SAN DIEGO, INC. AND AFFILIATES**
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022 AND 2021
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Metropolitan Area Advisory Committee on
Anti-Poverty of San Diego, Inc. and Affiliates:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. (a nonprofit organization) and Affiliates (limited partnerships) (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Notes 1, 10, and 11 to the financial statements, the Organization changed its method of accounting for leases effective January 1, 2022, due to the adoption of Financial Accounting Standards Board Accounting Standards Codification 842, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audits findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual properties, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards (Schedule III) is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the consolidated financial statements. The accompanying supplementary information presented on pages 34-42 is presented for purposes of additional analysis as required by the California Department of Community Services and Development Programs and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling

such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Holt House Carlin & Van Tigt LLP". The signature is written in a cursive, flowing style.

Westlake Village, California
June 14, 2023

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,502,906	\$ 8,763,039
Accounts receivable, net of allowance for doubtful accounts of \$129,445 and \$73,554	2,883,787	3,712,398
Restricted cash	1,000,000	1,000,000
Prepaid expenses	849,754	648,735
Other current assets	269,853	248,562
Total current assets	10,506,300	14,372,734
Other assets:		
Rental property, net of accumulated depreciation	104,675,644	95,948,776
Property and equipment, net of accumulated depreciation	22,191,150	19,723,256
Operating lease right-of-use asset	4,228,680	-
Investments	1,651,031	1,523,138
Due from related parties	17,945	17,945
Other long-term receivables	62,774	62,774
Restricted cash	3,992,579	4,009,830
Deferred costs	1,017,051	145,835
Deposits and other assets	49,586	142,488
Total assets	\$ 148,392,740	\$ 135,946,776
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,783,544	\$ 5,122,403
Current portion of accrued interest payable	205,121	248,134
Current portion of notes payable	3,476,860	5,689,875
Current portion of operating lease liability	1,050,259	-
Deferred revenues	1,112,375	665,828
Total current liabilities	11,628,159	11,726,240
Deferred ground lease payable	-	1,717,155
Operating lease liability	4,953,531	-
Accrued interest payable, net of current portion	8,689,525	7,909,591
Notes payable, net of current portion and unamortized debt issuance costs	84,049,623	75,531,354
Due to related parties	94,106	22,839
Other liabilities	592,063	699,197
Total liabilities	110,007,007	97,606,376
Commitments and contingencies		
Net assets (deficit):		
Without donor restrictions:		
Undesignated	26,268,401	24,664,157
Noncontrolling interest in Affiliates	10,542,712	12,897,515
With donor restrictions	1,574,620	778,728
Total net assets (deficit)	38,385,733	38,340,400
Total liabilities and net assets (deficit)	\$ 148,392,740	\$ 135,946,776

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31,

2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contract revenue	\$ 38,843,331	\$ -	\$ 38,843,331
Contributions of cash and other financial assets	178,908	1,566,914	1,745,822
Contributions of nonfinancial assets	1,482,960	-	1,482,960
Program service fees	1,858,364	-	1,858,364
Contractual services	1,246,136	-	1,246,136
Charter school - state aid, grants and donations	2,758,831	-	2,758,831
Rents and tenants fees - real estate	10,933,668	-	10,933,668
Equity in earnings of joint ventures	162,079	-	162,079
Other revenue	167,055	-	167,055
Unrealized gain on interest rate cap	436,842	-	436,842
Interest income	8,616	-	8,616
Net assets released from restrictions, satisfaction of program restrictions	771,022	(771,022)	-
Total revenue and support	58,847,812	795,892	59,643,704
Expenses:			
Program services:			
Child development	28,529,711	-	28,529,711
Community services	8,724,493	-	8,724,493
Charter high school	3,429,510	-	3,429,510
Housing and other real estate	11,792,887	-	11,792,887
Total program services	52,476,601	-	52,476,601
Supporting services:			
Management and general	6,870,987	-	6,870,987
Fundraising and development	250,783	-	250,783
Total supporting services	7,121,770	-	7,121,770
Total expenses	59,598,371	-	59,598,371
Total change in net assets	\$ (750,559)	\$ 795,892	\$ 45,333

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31,

2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contract revenue	\$ 40,858,655	\$ -	\$ 40,858,655
Contributions of cash and other financial assets	143,040	916,031	1,059,071
Contributions of nonfinancial assets	2,136,983	-	2,136,983
Program service fees	1,379,929	-	1,379,929
Contractual services	899,498	-	899,498
Charter school - state aid, grants and donations	3,949,897	-	3,949,897
Rents and tenants fees - real estate	9,945,190	-	9,945,190
Equity in earnings of joint ventures	162,079	-	162,079
Forgiveness of debt - PPP Loan	3,500,000	-	3,500,000
Other revenue	207,544	-	207,544
Interest income	355,889	-	355,889
Net assets released from restrictions, satisfaction of program restrictions	654,286	(654,286)	-
Total revenue and support	64,192,990	261,745	64,454,735
Expenses:			
Program services:			
Child development	31,207,445	-	31,207,445
Community services	6,836,667	-	6,836,667
Charter high school	3,389,852	-	3,389,852
Housing and other real estate	11,970,875	-	11,970,875
Total program services	53,404,839	-	53,404,839
Supporting services			
Management and general	5,898,794	-	5,898,794
Fundraising and development	161,482	-	161,482
Total supporting services	6,060,276	-	6,060,276
Total expenses	59,465,115	-	59,465,115
Total change in net assets	\$ 4,727,875	\$ 261,745	\$ 4,989,620

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31,

2022

	Program Services				Supporting Activities		Total
	Child Development	Community Services	Charter High School	Housing and other Real Estate	Management and General	Fundraising and Development	
Salaries and wages	\$ 12,418,555	\$ 4,104,884	\$ 1,631,387	\$ 1,600,911	\$ 2,886,510	\$ 90,477	\$ 22,732,724
Payroll taxes and benefits	3,678,219	1,004,216	465,591	532,494	549,608	16,589	6,246,717
Temporary staffing	916,285	53,673	218	7,114	33,985	-	1,011,275
Childcare expenses	3,272,964	-	-	-	-	-	3,272,964
Non-personnel in-kind (miscellaneous supplies)	1,442,960	36,400	-	-	-	-	1,479,360
Consultants and sub-contractors	154,795	1,090,131	346,959	65,186	1,145,640	64,984	2,867,695
Maintenance and repairs	562,415	217,775	87,178	1,224,246	109,082	7,809	2,208,505
Utilities	318,431	81,343	109,232	1,201,158	34,263	2,726	1,747,153
Space rental, net of sub-lease rental revenue	913,585	182,635	4,468	70,599	6,360	-	1,177,647
Other expenses	105,555	338,707	146,677	826,105	1,074,822	37,440	2,529,306
Telephone	377,574	92,609	29,640	103,031	76,644	2,125	681,623
Janitorial and cleaning	621,104	80,207	18,445	60,759	30,701	3,719	814,935
Travel and transportation	556,853	169,373	27,222	47,855	110,679	3,991	915,973
Food and nutrition	765,058	167,413	-	511	18,344	-	951,326
Supplies	1,086,489	673,913	198,339	67,118	102,633	5,816	2,134,308
Insurance and property taxes	301,096	87,167	47,380	537,317	43,034	561	1,016,555
Accounting and legal	9,540	11,105	51,890	230,680	390,909	-	694,124
Special events	-	48,720	-	1,164	22,544	2,100	74,528
Interest	164,640	24,564	66,784	2,388,807	163,094	4,130	2,812,019
Depreciation and amortization	863,593	259,658	198,100	2,827,832	72,135	8,316	4,229,634
	\$ 28,529,711	\$ 8,724,493	\$ 3,429,510	\$ 11,792,887	\$ 6,870,987	\$ 250,783	\$ 59,598,371

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31,

2021

	Program Services				Supporting Activities			Total
	Child Development	Community Services	Charter High School	Housing and other Real Estate	Management and General	Fundraising and Development		
Salaries and wages	\$ 13,808,001	\$ 3,136,702	\$ 1,668,896	\$ 1,557,175	\$ 2,697,904	\$ 85,845	\$ 22,954,523	
Payroll taxes and benefits	4,563,038	872,470	492,923	459,536	586,558	9,721	6,984,246	
Temporary staffing	522,514	13,055	-	4,683	13,404	-	553,656	
Childcare expenses	4,082,369	170	-	-	-	-	4,082,539	
Non-personnel in-kind (miscellaneous supplies)	2,096,983	31,200	-	-	-	-	2,128,183	
Consultants and sub-contractors	181,718	576,330	201,935	103,416	1,049,290	13,787	2,126,476	
Maintenance and repairs	324,600	129,715	86,995	1,097,264	66,782	528	1,705,884	
Utilities	276,708	77,547	81,155	1,146,841	27,860	414	1,610,525	
Space rental, net of sub-lease rental revenue	857,061	251,588	664	127,873	5,845	-	1,243,031	
Other expenses	136,583	330,656	142,469	338,180	300,632	36,441	1,284,961	
Telephone	334,028	91,500	35,366	117,912	91,960	3,125	673,891	
Janitorial and cleaning	641,506	62,246	7,193	62,195	29,184	371	802,695	
Travel and transportation	363,125	98,527	27,377	29,130	78,370	3,396	599,925	
Food and nutrition	628,490	112,503	-	-	-	-	740,993	
Supplies	1,122,057	702,889	239,907	72,447	101,987	4,761	2,244,048	
Insurance and property taxes	276,767	72,754	59,527	494,927	32,106	773	936,854	
Accounting and legal	24,802	5,766	75,343	150,189	639,506	-	895,606	
Special events	-	-	-	-	56,023	-	56,023	
Interest	163,350	22,647	59,020	3,199,066	25,263	703	3,470,049	
Depreciation and amortization	803,745	248,402	211,082	3,010,041	96,120	1,617	4,371,007	
	\$ 31,207,445	\$ 6,836,667	\$ 3,389,852	\$ 11,970,875	\$ 5,898,794	\$ 161,482	\$ 59,465,115	

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Without Donor Restrictions			With Donor Restrictions	Total
	General	Total	Noncontrolling Interests in Affiliates		
Balance, December 31, 2020	\$ 17,042,836	\$ 17,042,836	\$ 15,510,382	\$ 516,983	\$ 33,070,201
Change in net assets	7,621,321	7,621,321	(2,893,446)	261,745	4,989,620
Syndication costs	-	-	(113,587)	-	(113,587)
Contributions	-	-	394,166	-	394,166
Balance, December 31, 2021	24,664,157	24,664,157	12,897,515	778,728	38,340,400
Change in net assets	1,604,244	1,604,244	(2,354,803)	795,892	45,333
Balance, December 31, 2022	\$ 26,268,401	\$ 26,268,401	\$ 10,542,712	\$ 1,574,620	\$ 38,385,733

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 45,333	\$ 4,989,620
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	4,209,341	4,350,867
Amortization	20,293	20,141
Amortization of deferred ground lease payable	-	67,873
Amortization debt issuance costs	114,148	173,733
Equity in earnings of joint ventures	(161,759)	(162,079)
Forgiveness of debt - PPP loan	-	(3,500,000)
Unrealized gain on interest rate cap	(436,842)	-
Changes in operating assets and liabilities:		
Accounts receivable	828,611	985,353
Prepaid expenses	(272,493)	76,468
Other current assets	71,611	3,313
Operating lease right-of-use asset	1,049,635	-
Accounts payable and accrued expenses	1,008,617	(1,102,635)
Accrued interest payable	736,921	558,729
Operating lease liability	(920,206)	-
Deferred revenues	446,547	136,204
Deferred ground lease payable	-	60,000
Due to related parties	71,267	(8,236)
Other liabilities	(107,134)	(182,330)
Net cash provided by operating activities	6,703,890	6,467,021
Cash flows from investing activities:		
Expenditures for rental property, property and equipment	(15,597,726)	(15,316,769)
Proceeds from San Diego County Investment Pool	33,866	249,753
Net cash used in investing activities	(15,563,860)	(15,067,016)
Cash flows from financing activities:		
Expenditures for deferred costs	(454,667)	(18,177)
Expenditures for syndication costs	-	(113,587)
Expenditures for debt issuance costs	(891,373)	(610,732)
Payments of notes payable	(6,280,138)	(44,072,433)
Proceeds from notes payable	13,208,764	10,702,850
Contributions from noncontrolling interests	-	394,166
Net cash provided by (used in) financing activities	5,582,586	(33,717,913)
Net change in cash, cash equivalents and restricted cash	(3,277,384)	(42,317,908)
Cash, cash equivalents, and restricted cash, beginning of year	13,772,869	56,090,777
Cash, cash equivalents, and restricted cash, end of year	\$ 10,495,485	\$ 13,772,869

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 2021

Supplemental disclosure of cash flow information:

Cash paid for interest, net of \$1,460,055 and \$1,343,613 of capitalized interest in 2022 and 2021, respectively	\$ 1,960,950	\$ 2,737,587
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Supplemental disclosure of non-cash investing and financing activities:

Accrued development costs	\$ 757,026	\$ 1,104,502
Accrued interest added to principal	\$ -	\$ 605,142
Initial recognition of right-of-use asset	\$ 5,278,315	\$ -
Initial recognition of lease liability	\$ (6,923,996)	\$ -
Write-off deferred lease payable for adoption of ASC 842	\$ 1,717,155	\$ -
Write-off prepaid lease expenses for adoption of ASC 842	\$ (71,474)	\$ -

Cash, cash equivalents, and restricted cash is as follows:

Cash and cash equivalents	\$ 5,502,906	\$ 8,763,039
Restricted Cash	4,992,579	5,009,830
Cash, cash equivalents and restricted cash	\$ 10,495,485	\$ 13,772,869

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE ON ANTI-POVERTY OF SAN DIEGO, INC. AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities The Metropolitan Area Advisory Committee on Anti-Poverty of San Diego County, Incorporated (Metropolitan Area Advisory Committee or MAAC) is a California nonprofit corporation organized to provide an extensive network of services to the residents of San Diego County. MAAC offers various programs to meet a variety of social, economic, and health needs for low income people, and is supported primarily through federal, state and county award programs.

MAAC wholly owns or controls and operates:

- Mercado Apartments – a 144 unit apartment complex located in the City of San Diego, San Diego County, California, consisting of affordable rental housing.
- Carlsbad Laurel Tree Apartments – a 138 unit apartment project located in Carlsbad, San Diego County, California, consisting of affordable rental housing.
- MAAC Community Center - a 73,000 square foot property located in Chula Vista, San Diego County, California, which is used for a Charter High School and various programs.
- Vale Terrace – a 29,000 square foot property located in Vista, San Diego County, California which is used for Head Start and other child development services.
- Gosnell Center - a 7,000 square foot property located in San Marcos, San Diego County, California which is used for Head Start and preschool programs.
- San Martin De Porres Apartments - a 116 unit apartment project in the City of Spring Valley, San Diego County, California, consisting of affordable rental housing.
- MAAC National City LLC – Land held in National City (the National City Project), California, to be developed into a 400 unit affordable rental housing project. Construction is expected to commence in 2024.
- MAAC Ivy LLC - Land held in Escondido (the Ivy Project), California, to be developed into a 127 unit affordable rental housing project. Construction is expected to commence in 2024.
- MAAC Ascencia MGP, LLC - Land held in Escondido (the Ascencia Project), California, to be developed into a 180 unit affordable rental housing project. Construction is expected to commence in 2023.

MAAC is the controlling general partner of four limited partnerships (the Affiliates) that are invested in residential apartment complexes that do or are expected to qualify for low income housing tax credits (LIHTC) under Section 42 of the Internal Revenue Code and rent to qualified low income tenants. MAAC's ownership interest in each limited partnership is 0.1% or less. A description of the Affiliates is as follows:

- Seniors on Broadway Limited Partnership, a California limited partnership (Seniors on Broadway), owns and manages a 42 unit apartment project in the City of Chula Vista, County of San Diego, California, consisting of affordable rental housing.
- 5471 Bayview Heights, L.P. (Bayview), a California limited partnership, owns and manages a 300 unit apartment project (Hillside Views Apartments) in the City of San Diego, San Diego County, California, consisting of affordable rental housing.
- 4132 Beyer, L.P. a California limited partnership, owns land and is developing a 100 unit affordable housing project in the San Ysidro area of the City of San Diego, California. Construction commenced in August 2022 and is expected to be completed in August 2024.

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- Villa Lakeshore 2020 LP, a California Limited Partnership (Villa Lakeshore), owns and manages a 34 unit apartment project in the City of Lakeside, San Diego County, California, consisting of affordable rental housing. In January 2021, the partnership purchased the project from MAAC and rehabilitation was completed in December 2021.

Description of Programs MAAC Head Start, Early Head Start, Charter High School, and State Preschool programs are family-centered and community-based, delivering comprehensive child development services which include education, health, nutrition, mental health and social services. In addition, MAAC receives funding through the Child Care Food Program, which provides daily meals and snacks for the children enrolled in the education programs.

MAAC also provides support to residents of San Diego County in the form of energy subsidies and home repairs through its weatherization programs.

During 2021, MAAC provided services and support to unaccompanied migrant children through a contract with a nonprofit corporation. MAAC was a sub-recipient of federal funds from The Administration for Children and Families division of the United States Department of Health & Human Services. MAAC received approximately \$6,500,000 in federal funds and is recorded as part of contract revenue on the consolidated statement of activities.

The housing and other real estate program develops and manages permanent affordable housing units for individuals and families with annual median incomes ranging from very low to moderate income. These affordable housing projects are brought to market through new construction, acquisition/rehabilitation or through partnerships with third party developers.

Basis of Presentation The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of MAAC and its Affiliates (the Organization) in which MAAC has a controlling interest. These Affiliates are included in the consolidation in accordance with U.S. GAAP which require the Affiliates accounts to be consolidated for all limited partnerships which are deemed to be controlled by MAAC. All significant intercompany balances and transactions have been eliminated in consolidation. Non-controlling interests in limited partnerships represent the limited partners' equity interest in the non-wholly owned limited partnerships and are shown separately in the components of net assets.

Classes of Assets Revenues, expenses, gains, losses and net assets are classified in the consolidated financial statements based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of MAAC and changes therein are classified and reported as follows:

- Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Net assets with donor restrictions represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources will be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the time has elapsed, when the stipulated purpose for which

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the resource was restricted has been fulfilled, or both. As of December 31, 2022 and 2021, there were net assets with donor restrictions of \$1,574,620 and \$778,728, respectively.

Functional Allocation of Expenses The costs of providing MAAC's programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. Expenses that are directly attributable to a specific functional classification are reported as expenses in those functional areas and shared general and administrative expenses that benefit multiple functional areas are allocated among the various functions. The expenses that are allocated include occupancy, depreciation and amortization (allocated on a square footage basis), as well as wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other (all of which are allocated on the basis of estimates of time and effort). The allocation methodology is periodically reviewed by management for relevancy and accuracy.

The functional classifications are defined as follows:

Program services:

- Child development consists of Head Start, Early Head Start, pre-school and nutrition programs.
- Community services consists of the weatherization and social services programs.
- Charter High School consists of the charter high school.
- Housing and other real estate includes operating and development activity related to multifamily affordable apartments and commercial real estate.

Supporting services:

- Management and general expenses consist of costs incurred in connection with the overall activities of MAAC which are not allocable to another functional expense category.
- Fundraising and development expenses consist of costs incurred in connection with activities related to obtaining grants and activities designed to generate revenue.

Public Support and Private Revenue Recognition MAAC receives contract and grant funding from federal, state and local agencies for providing educational, nutritional, weatherization and supportive services. Revenues from such grants are recognized as they incur expenditures in compliance with the applicable agreements. Amounts received prior to incurring the qualifying expenditures are presented as a liability. These revenues are voluntary, unconditional and nonreciprocal transfers of cash or other assets.

Revenues from program service fees and service contracts are recognized as the terms of the contracts are satisfied.

Rental revenue is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and its tenants are operating leases. Residential rental revenues reflect the gross potential rent that may be earned. Vacancies are shown separately as a reduction in residential rent revenues. Other revenue consists of revenue from laundry, vending, tenant charges and bad debt recovery. Such other revenue is recognized when earned.

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Contributions are recognized as revenues when cash, other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Any funds received in advance of a condition being met are recorded as a liability.

Accounting for Investments in Joint Ventures Under the equity method of accounting, MAAC records its initial investment at cost and thereafter, records its portion of the entity's income or loss on an annual basis. In the event its investment goes negative, based on management's assessments, the recording of further loss may be suspended until profitability returns.

MAAC reviews its investments in joint ventures for impairment. When it is determined that the reduction in value is other than a temporary decline, a loss is recognized equal to the difference between the investment's carrying value and its fair value. During 2022 and 2021, no impairment losses were recognized related to its joint venture investments.

Cash, Cash Equivalents, and Restricted Cash For purposes of the consolidated statements of financial position, and consolidated statements of cash flows, cash and cash equivalents consist of cash and highly liquid unrestricted investments with an original maturity of three months or less when purchased. Restricted cash consists of tenant security deposits and reserves.

Investment in San Diego County Investment Pool MAAC maintains a portion of its cash in the San Diego County Investment Pool (the County Treasury) as part of the common investment pool (\$508,502 and \$542,668 as of December 31, 2022 and 2021, respectively). The County Treasury is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse agreements. The fair value of MAAC's investment in this pool is reported in the accompanying financial statements at amounts based on MAAC's pro-rata share of the fair value provided by the County Treasury (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasury, which are recorded on an amortized cost basis. Cash may be added or withdrawn from the investment pool without limitations.

Interest Rate Derivative and Financial Instruments Derivative instruments (including certain derivative instruments embedded in other contracts) are recorded in the consolidated statements of financial position as an asset or liability measured at fair value. Changes in the derivative's fair value are recognized in earnings unless specific hedge accounting criteria are met. Management has determined that the Organization's derivatives do not qualify for hedge accounting and therefore all fair value adjustments are recorded in the consolidated statements of activities.

Fair Value Measurements and Disclosures MAAC reports certain assets and liabilities at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that

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reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined using models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs for the asset or liability. In these situations, MAAC develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to MAAC's assessment of the quality, risk, or liquidity profile of the asset or liability.

County Treasury A significant portion of MAAC's County Treasury investment assets are classified within Level 2. The investments are primarily comprised of U.S Government Agencies, U.S. Treasury Notes, corporate term notes, AAA-rated Supranationals, commercial paper and certificates of deposits.

The following table presents the investment assets measured at fair value on a recurring basis at December 31:

	2022	2021
County Treasury (Level 2)	\$ 508,502	\$ 542,668

As of December 31, 2022, the County Treasury's unrealized loss was approximately \$13,000. As of December 31, 2021, the County Treasury's unrealized gain was approximately \$2,000.

Estimates The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

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Significant items subject to such estimates and assumptions include in-kind contributions of goods and services, the treatment of loans and related contingent interest owed on loans to be forgiven if the properties comply with loan requirements, and the gross profit margin on developer fees charged to properties developed. Actual results may differ from those estimates.

Accounts Receivable Accounts receivable consist of grants, contracts, and other receivables that arise in the normal course of operations. It is the policy of management to review the outstanding receivables at year end, as well as the bad debts experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts.

Property and Equipment and Rental Property Major acquisitions of property and equipment are capitalized. For new construction projects, the Organization capitalizes interest, real estate taxes, insurance, payroll and the associated costs of employees directly responsible for and who spend their time on the execution and supervision of major capital and/or renovation projects. In the event property and equipment are donated, they are capitalized at the approximate fair market value at the date of donation. These costs are reflected on the accompanying consolidated statements of financial position. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of three to forty years. Amortization of leasehold improvements is included in depreciation expense. Land, buildings and equipment acquired with grant funds are considered to be owned by the Organization while used in the programs or in future authorized programs. However, the funding source may have a reversionary interest in the property as well as the right to determine the use of any proceeds from the sale of assets purchased with their respective funds.

MAAC classifies property under predevelopment, development and/or expansion as construction-in-progress until construction has been completed and certificates of occupancy permits have been obtained.

MAAC reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property, including low income tax credits, and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, MAAC recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. For property under development, management evaluates major cost overruns, market conditions that could affect lease-up projections, intent and ability to hold the asset, and other indicators of impairment. If any indicators were to suggest impairment was present, the carrying value of the asset would be adjusted accordingly to fair value. No impairment losses were recognized in 2022 or 2021.

Contributed Nonfinancial Assets The Organization recognized contributed nonfinancial assets within revenue, including services, supplies, and facilities. All contributed nonfinancial assets were utilized in the child development programs, did not have donor-imposed restrictions, and are charged to operations or capitalized as appropriate. Contributed supplies are recorded at their estimated fair value based on cost to purchase through an unrelated retailer. Contributed facilities are recorded at their estimated fair value based on market rates for comparable property. A substantial amount of services were donated by volunteers in carrying out the Organization's program services. No amounts have been recorded for those services as they do not meet the requirements for recognition as contributions in the accompanying consolidated financial statements. Contributed professional services are reported at the estimated fair value based on current rates for similar services.

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Contributed nonfinancial assets recognized with the consolidated statements of activities included the following as of December 31:

	2022	2021
Services	\$ 1,251,375	\$ 1,930,404
Supplies	106,593	84,418
Facilities	124,992	122,161
Contributed nonfinancial assets	\$ 1,482,960	\$ 2,136,983

Concentration of Business and Credit Risk The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. At December 31, 2022 and 2021, MAAC had certain accounts which were above the FDIC insured limit. MAAC has not experienced any losses in its bank deposit accounts and does not believe they are exposed to any significant credit risk related to cash.

MAAC receives a significant amount of revenue from government grants, as well as from affordable housing projects in which it is the general partner. These sources of funds are dependent upon the availability of funds from federal and state programs, as well as the continued success of the affordable housing projects.

MAAC, either as a direct owner or general partner, has an economic interest in various rental properties. These properties are subject to business risks associated with the economy and level of unemployment in San Diego County, which affect occupancy as well as the tenants' ability to make rental payments. The operations of properties receiving grant funding are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress, local government or an administrative change mandated by HUD and may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

For the years ended December 31, 2022 and 2021, MAAC had one federal grant that accounted for 88% and 90%, respectively, of its federal awards (Schedule III). During the years ended December 31, 2022 and 2021, five programs accounted for approximately 77% and 74%, respectively, of total accounts receivable.

Income Tax Status The nonprofit entities consolidated in these financial statements have been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, these nonprofits do not have any income, which they believe would subject them to unrelated business income taxes. Accordingly, these consolidated financial statements do not reflect a provision for income taxes. The consolidated nonprofit entities are required to file tax returns with the Internal Revenue Service (IRS) and other taxing authorities.

MAAC has adopted the accounting topic generally accepted in the United States of America for income taxes, which provides guidance for how uncertain income tax positions should be recognized, measured, presented and disclosed in the consolidated financial statements. MAAC is required to evaluate the income tax positions taken or expected to be taken to determine whether positions are "more-likely-than-not" to be sustained upon examination by the applicable tax authority. Management has determined that the application of the accounting topic for income taxes does not impact its operations.

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No provision for income taxes has been made for the consolidated partnerships or limited liability companies (LLC) as any income or loss is included in the tax returns of the partners or members. The federal tax status as a pass-through entity is based on its legal status as a partnership or LLC. The Partnerships and LLC's are required to file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Partnerships and LLC's have no other tax positions which must be considered for disclosure. With few exceptions, the Partnerships and LLC's are no longer subject to income tax examinations by tax authorities for years before 2018. The Partnerships and LLC's are required to pay an \$800 fee to the California Franchise Tax Board. No examinations are currently pending.

Property Tax Exemption MAAC's rental properties are generally exempt from real property taxes. In the event such exemption is not renewed annually or no longer available, MAAC's cash flow would be negatively impacted.

Debt Issuance Costs Costs incurred to obtain financing, included in notes payable in the accompanying consolidated statements of financial position are amortized using a method that approximates the effective interest method, over the terms of the related debt agreements, as applicable.

New Accounting Standards In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The most significant change in the new leasing guidance is the requirement for lessees to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the consolidated statements of financial position. The lessor accounting is not fundamentally changed.

MAAC adopted Topic 842, using the modified retrospective approach with January 1, 2022 as the date of initial adoption. MAAC also adopted the package of practical expedients and transition provisions available for expired or existing contracts, which allowed MAAC to not reassess existing leases to determine 1) whether contracts are leases or contain leases, 2) lease classification and allowed MAAC to carryforward the historical lease classification and 3) if initial direct costs already capitalized meet the new definition of initial direct costs under ASC 842. In addition, MAAC elected the short-term lease exception policy, permitting MAAC to exclude the recognition requirements for leases with terms of 12 months or less from lease inception. MAAC also made a policy election to use the risk-free discount rate to determine the ROU asset and lease liability related to its leases.

The impact of adopting ASC 842 on the accompanying balance sheet as of January 1, 2022 was the recognition of ROU asset in the amount of \$5,278,315, net of deferred lease payable of \$1,717,155 at the adoption date, and lease liability in the amount of \$6,923,996, net of prepaid lease expenses of \$71,474. There was no impact on the opening accumulated net assets.

During the fiscal year ended December 31, 2021, MAAC accounted for its lease agreements in accordance with *FASB ASC 840, Leases (ASC 840)*, which provides guidance for defining lease agreements at their inception as either operating or capital leases depending on certain defined criteria. As of December 31, 2021, all leases were classified as operating leases.

Effective January 1, 2022, MAAC adopted ASU 2021-10, *Disclosures by Business Entities about Government Assistance (ASU 2021-10)* that requires MAAC to disclose the nature of the transactions with a government entity (as defined in ASU 2021-10) and the resultant accounting policies, as well as significant terms and conditions. Also, ASU 2021-10 requires the disclosure identify the line items

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and amounts on the consolidated statements of financial position and statements of activities affected by the transactions.

Effective January 1, 2022, MAAC adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which requires MAAC to present contributed nonfinancial assets as a separate line item in the statement of activities, along with expanded disclosure requirements. The adoption of ASU 2020-07 resulted in a reclassification of \$2,136,983 from contractual services on the accompanying consolidated statements of activities for the year ended December 31, 2021.

2. DEFERRED COSTS

The costs incurred to pay for fees and obtain an interest rate cap have been capitalized and consist of the following:

	2022	2021
TCAC fees, net	\$ 168,542	\$ 145,835
Interest rate cap – fair value (Level 2)	848,509	-
	\$ 1,017,051	\$ 145,835

The interest rate cap expires in October 2024. Management has obtained the above values from a third party valuation firm who specializes in derivative products and debt market consulting. The valuation uses the Black-Scholes option pricing model. The volatility inputs used in the model are taken from market sources and the dollar value output from the model represents the potential over the options life (in dollar terms) that the index exceeds the strike (Level 2 inputs). For the year ended December 31, 2022, the Organization recorded in the consolidated statements of activities an unrealized gain of \$436,842.

3. LIQUIDITY AND AVAILABILITY

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

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 5,502,906	\$ 8,763,039
Accounts receivable	2,883,787	3,712,398
Restricted cash (current and non-current)	4,992,579	5,009,830
Investments-County Treasury	508,502	542,668
Less: unavailable restricted cash for general expenditures due to:		
Contractual lender and regulatory restrictions	(4,057,733)	(3,670,240)
Donor restricted net assets	(1,574,620)	(778,729)
Financial assets available to meet general expenditures within one year	\$ 8,255,721	\$ 13,578,966

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The Organization is primarily supported by government grants and rental revenues. Because governmental grants and rental revenues are restricted by agreements including contractual, regulatory, lender and other, the Organization must maintain sufficient resources to meet their responsibilities under those agreements. As a result, financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, as part of the Organization's liquidity management plan, MAAC entered into a line of credit agreement facility. The amount available for borrowing as of December 31, 2022 and 2021 was \$1,000,000 and \$1,000,000, respectively. Subsequent to year-end, MAAC increased the line of credit to \$2,000,000 (see Note 8).

During 2022, MAAC applied for the Employee Retention Credit (ERC), which is available to businesses that continued to pay employees while either shut down due to the Covid-19 pandemic (Note 16) or had significant declines in gross receipts during a specified period of time. Based on management's application, MAAC may be entitled to up to \$6.3 million. As of the report date, MAAC's ERC claim has not been approved.

4. RESTRICTED CASH

Cash balances are held in restricted cash accounts to comply with the terms of certain loan, regulatory and other agreements. Withdrawals from these accounts are allowed only for specific purposes.

Restricted cash consists of the following:

	2022	2021
Replacement reserves	\$ 1,495,644	\$ 1,405,062
Operating reserves	1,852,443	1,850,953
Impounds and escrows	1,104,374	1,224,160
Tenant security deposits	540,118	529,655
Total restricted cash	4,992,579	5,009,830
Less: current restricted cash	(1,000,000)	(1,000,000)
Total restricted cash, net of current portion	\$ 3,992,579	\$ 4,009,830

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5. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2022	2021
Weatherization and Low Income Home Energy	\$ 415,003	\$ 508,042
Head Start	559,375	1,033,517
Charter high school	360,068	154,185
Childcare food program	84,417	113,877
Pre-school	79,392	100,635
Recovery homes	438,172	655,855
Residential tenant rents	192,833	193,559
Property tax refunds	320,337	678,390
Economic development	477,638	294,855
Fundraising, marketing and communication	36,666	-
Other receivables	49,331	53,037
Total accounts receivable	3,013,232	3,785,952
Less: allowance for doubtful accounts	(129,445)	(73,554)
Accounts receivable, net	\$ 2,883,787	\$ 3,712,398

6. RENTAL PROPERTY

MAAC wholly owned real estate (MAAC Real Estate) and the Affiliates own and operate low income housing projects. Rental property consists of the following as of December 31, 2022:

	MAAC		
	Real Estate	Affiliates	Total
Buildings and improvements	\$ 36,331,684	\$ 48,701,873	\$ 85,033,557
Land	4,010,654	5,678,919	9,689,573
Land improvements	3,649,217	3,489,305	7,138,522
Equipment	2,570,144	5,280,445	7,850,589
Construction-in-progress	39,111,638	6,031,916	45,143,554
Total rental property	85,673,337	69,182,458	154,855,795
Less: accumulated depreciation	(32,780,102)	(17,400,049)	(50,180,151)
Rental property, net	\$ 52,893,235	\$ 51,782,409	\$ 104,675,644

Rental property consists of the following as of December 31, 2021:

	MAAC		
	Real Estate	Affiliates	Total
Buildings and improvements	\$ 36,292,717	\$ 48,248,409	\$ 84,541,126
Land	4,010,654	3,528,919	7,539,573
Land improvements	3,672,099	3,489,305	7,161,404
Equipment	2,557,424	5,252,228	7,809,652
Construction-in-progress	33,276,536	3,132,084	36,408,620
Total rental property	79,809,430	63,650,945	143,460,375
Less: accumulated depreciation	(31,873,587)	(15,638,012)	(47,511,599)
Rental property, net	\$ 47,935,843	\$ 48,012,933	\$ 95,948,776

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A substantial portion of the Organization's rental property is identified as collateral for the related notes payable.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2022 and 2021:

	2022	2021
Buildings and improvements	\$ 20,541,221	\$ 19,362,022
Land	2,908,988	2,908,988
Leasehold improvements	3,543,583	3,524,159
Vehicles	1,656,633	1,314,090
Furniture and equipment	4,647,926	3,390,956
Construction-in-progress	2,162,100	1,076,595
Total property and equipment	35,460,451	31,576,810
Less: accumulated depreciation	(13,269,301)	(11,853,554)
Property and equipment, net	\$ 22,191,150	\$ 19,723,256

8. LINE OF CREDIT

MAAC has a \$1,000,000 line of credit with East West Bank with interest only payments due monthly at the higher of 5.00% or the Prime Rate, as defined, through May 16, 2023 (7.50% and 5.00% as of December 31, 2022 and 2021, respectively). As of December 31, 2022 and 2021, there was a \$0 and \$0 balance, respectively.

On May 22, 2023 MAAC entered into a \$2,000,000 line of credit agreement with East West Bank with interest only payments due monthly at the higher of 7.50% or Prime Rate, as defined, through May 16, 2024.

9. NOTES PAYABLE

Notes payable consist of the following:

	2022	2021
<u>MAAC and MAAC Wholly Owned Real Estate (MAAC Real Estate)</u>		
Note payable to California Bank & Trust, secured by a deed of trust, including assignment of rents and fixture filing and commercial security agreement. The interest rate was fixed for one year periods based on one year LIBOR plus 2.25%. (2.78% as of December 31, 2021). Any unpaid principal and interest were due and payable on July 26, 2022. In July 2022, the maturity date was extended to January 22, 2023. All unpaid principal and interest were repaid as of December 19, 2022.	\$ -	\$ 2,718,746

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	2022	2021
Note payable to California Bank & Trust, secured by deed of trust (Chula Vista), including assignment of rents and fixture filing and commercial security agreement. Monthly principal and interest payments of \$16,893 for 119 months. The note accrues interest at 5.48% annually. Any unpaid principal and interest are due and payable on December 19, 2032.	2,735,000	-
Note payable to Impact Funding LLC, which is serviced by Pacific Life Insurance Company, secured by a first deed of trust (the Mercado Apartments) and accruing interest at 8.25% annually. Monthly payments of principal and interest of \$22,641 are due, based on a 30-year amortization period with all unpaid principal and interest due in July 2025.	630,183	840,376
Note payable to Bank of America Community Development Bank, secured by a second deed of trust (the Mercado Apartments). The note does not bear interest and no payments are due unless Mercado Apartments, L.P. is not in compliance with the terms of the deed of trust.	920,000	920,000
Note payable to the City of San Diego, secured by a third deed of trust (the Mercado Apartments). The note accrues simple interest at 6.00% annually and all principal and any unpaid interest are due and payable in December 2047.	1,425,000	1,425,000
Note payable to the City of San Diego, secured by a fourth deed of trust (the Mercado Apartments). The note accrues simple interest at 6.00% annually. The principal and any unpaid interest are due and payable in December 2047.	1,998,440	1,998,440
Note payable to Pacific Life secured by a Carlsbad Laurel Tree Apartments first deed of trust, monthly installments of principal and interest of \$29,427, accrues interest at 6.83%, and all unpaid principal and interest are due October 1, 2030. Effective October 1, 2020, the loan was adjusted, reducing the interest rate to 2.43%, and the monthly installments of principal and interest to \$23,992	2,051,707	2,286,899
Note payable to Bank of America Community Development Bank, secured by a Carlsbad Laurel Tree Apartments second deed of trust. The note does not bear interest and no payments are due unless the Partnership is not in compliance with the terms of the deed of trust.	552,000	552,000

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	2022	2021
Note payable to HCD under the Home Investment Partnership Program, secured by a Carlsbad Laurel Tree Apartments third deed of trust, accrues simple interest at 3.00% beginning on the date of initial occupancy. Accrued interest is due and payable to the extent of Surplus Cash, as defined. All unpaid principal and interest are due on November 25, 2038.	521,587	521,587
Note payable to Bank of America Community Development Bank in the amount of \$2,096,860, accrues interest at 8.73% through September 30, 2022, thereafter interest accrues at 5.54% and secured by a first deed of trust (San Martin). Monthly principal and interest payments of \$16,466. Effective October 1, 2022, monthly principal and interest payments of \$14,490. Unpaid principal and interest are due on October 1, 2031.	1,203,528	1,295,342
Note payable to the County of San Diego, Department of Housing and Community Development, secured by a deed of trust (San Martin). The note accrues simple interest at 3.00% beginning on the date of initial occupancy of the housing units. Payments to be made on an annual basis from Residual Receipts, as defined, and all principal and unpaid interest are due on November 2, 2054.	1,181,164	1,181,164
Note payable to Century Housing Corporation, a California nonprofit corporation, dated July 2021 up to \$3,600,000, secured by a first deed of trust (the Ascencia project). Interest is payable monthly and accrues at LIBOR plus 4.50% (8.63% and 5.03% as of December 31, 2022 and 2021, respectively) with a floor rate of 5.50%. Unpaid principal and interest are due September 1, 2022. On May 4, 2022, the maturity date was extended to March 22, 2023. On March 8, 2023, the maturity date was extended to March 22, 2024.	3,544,510	3,330,880
Note payable to California Bank & Trust dated August 1, 2018, in the amount of \$3,250,000, secured by a deed of trust (Vale Terrace). Interest accrues at 6.22% and monthly payments of principal and interest are \$27,953. Unpaid principal and interest are due September 1, 2033.	2,613,410	2,778,357
Note payable to Raza Dev Fund, Inc. in the amount up to \$10,000,000, secured by a deed of trust (the National City Project), guaranteed by MAAC and accruing interest at 6.00%. Unpaid principal and accrued interest are due in May 2025.	9,983,435	9,392,425

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	2022	2021
Seller note payable to 233 Roosevelt, LLC in the amount of \$7,500,000, secured by a deed of trust (the National City Project), interest at 5.00% with interest payable semi-annually on March 31 and September 30. The note matures the earlier to occur of (i) Tax Credit and Bond Closing, as defined, (ii) sale of the National City Project, or (iii) November 26, 2025.	7,500,000	7,500,000
Note payable to Century Housing Corp loan up to \$3,600,000, secured by a first deed of trust (the Ivy Project). Interest is payable monthly at the higher of 6.25% or of one-month LIBOR plus 4.00% (9.45% and 6.25% as of December 31, 2022, and 2021, respectively). Unpaid principal and interest are due January 4, 2023. On January 3, 2023, the maturity date was extended to January 4, 2024.	3,558,774	3,460,485
Total MAAC and MAAC Real Estate	40,418,738	40,201,701

Affiliates

Note payable to U.S. Bank National Association dated February 28, 2005, in the amount of \$225,000, secured by a deed of trust (Seniors on Broadway). Interest accrues at 7.22% and monthly payments of principal and interest of \$1,555 are due. Unpaid principal and interest are due on September 1, 2036.	162,645	169,270
Note payable to U.S. Bank National Association dated February 28, 2005, in the amount of \$1,000,000, secured by a deed of trust (Seniors on Broadway). Interest accrues at 7.22% and monthly payments of principal and interest of \$6,910 are due. Unpaid principal and interest are due September 1, 2036.	731,020	759,887
Note payable to the City of Chula Vista dated February 22, 2005, secured by a deed of trust (Seniors on Broadway). Simple interest accrues at 3.00%. Interest only payments are to be made annually from Residual Receipts, as defined. Unpaid principal and interest are due January 2063.	3,511,194	3,511,194
AHP note payable to the Mississippi Valley Life Insurance Company in the amount of \$252,000, secured by a deed of trust (Seniors on Broadway), dated September 21, 2005. The note is non-interest bearing and will be forgiven after the 15-year compliance period.	339,339	339,339
Note payable to Red Mortgage Capital, LLC, in the amount of \$26,700,000, secured by a deed of trust (Hillside Views Apartments), accrues interest at 4.93%, with monthly interest payments commencing on February 1, 2019 through February 1, 2021. Thereafter, monthly principal and interest payments of \$133,562 are to be made with all unpaid principal and interest due on January 1, 2036.	26,159,344	26,446,728

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	2022	2021
<p>Note payable to the County of San Diego Redevelopment Agency (SDRA), secured by a deed of trust covering the land, any improvements and certain other property located in Lakeside, California (Villa Lakeshore), with simple interest at 3.00% and principal payments beginning June 2035 in an amount equal to the lesser of interest accrued over the past twelve months or the amount determined by SDRA to be necessary to cover the costs of monitoring MAAC's compliance with the loan agreement. If residual revenues are generated from the property's operations, SDRA will receive 25.00% of the residual revenues each fiscal year. In the event that MAAC has repaid the \$356,000 note payable to the County of San Diego Department of Housing and Community Development, SDRA will receive 50.00% of the residual revenues each fiscal year. In accordance with the loan agreement, all payments received shall first be applied toward any costs or charges incurred in connection with the loan, next to the payment of accrued interest, then to the reduction of the principal balance. The outstanding balance including any unpaid interest is due in June 2063.</p>	1,467,645	1,467,645
<p>Note payable to the County of San Diego Department of Housing and Community Development (HCD) requiring annual payments of \$32,000, including simple interest at 3.00%, beginning in June 2034. The note is secured by a deed of trust covering the land, improvements and other property (Villa Lakeshore). If the operations of the property generate residual receipts, HCD will receive 25.00% of the residual revenue each fiscal year to be applied toward accrued interest. The principal balance and all unpaid interest are due in June 2062.</p>	493,497	493,497
<p>Note payable to HCP-ILP, LLC, a Nevada limited liability company, in the original amount of \$8,200,000 with interest only payments for the first 24 months of the loan (the Villa Lakeshore Construction Loan). Secured by 2021 Series A-1 tax-exempt bonds of \$7,110,591 and 2021 Series A-2 taxable bonds of \$1,089,409, issued by the California Municipal Finance Authority (the Bonds). Interest on the A-1 and A-2 bonds, prior to the date of conversion, accrues at LIBOR plus 2.50%. On July 1, 2021, the Bonds were purchased by California Bank and Trust and the tax-exempt bonds began accruing interest at 3.85%. Upon conversion, the tax-exempt bonds are expected to be repaid down to \$5,920,000, accrue interest at 3.85%, monthly principal and interest payments of \$25,682 and mature in 18 years. The 2021 Series A-2 taxable bonds of \$1,089,409 matures on August 1, 2023. The 2021 Series A-1 taxable bonds of \$7,110,591 matures on September 1, 2023.</p>	8,200,000	6,558,428

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	2022	2021
Note payable to KeyBank National Association, a national banking association, dated August 30, 2022, in the amount of up to \$49,336,331, secured by a deed of trust (4132 Beyer). Interest accrues at a variable rate based on Daily SOFR (4.30% as of December 31, 2022) plus 2.30% per annum up to a maximum rate of 3.20% in accordance with an Interest Rate Cap Agreement in the notional amount of up to 49,115,708 through October 1, 2024. Interest only payments are due monthly, and all unpaid principal and interest is due March 1, 2025.	4,122,893	-
Note Payable to City of San Diego, dated August 30, 2022, secured by a deed of trust (4132 Beyer), with a maximum principal amount up to \$5,000,000. Interest accrues at 3.00% simple per annum and is payable from Net Cash Flow. All unpaid principal and interest is due 55 years from the occupancy date as defined, but in no event later than December 31, 2081.	720,000	-
Note Payable to the San Diego Housing Commission, secured by a deed of trust (4132 Beyer), with a maximum principal amount of \$4,400,000. Interest accrues at 3.00% simple per annum. Payments of principal and interest are due annually and are calculated from Net Cash Flow. The first payment shall be due on or before May 31, 2025, and all unpaid principal and interest is due August 31, 2079.	3,300,000	-
Note payable to Jersey Toto LLC, a California limited liability company dated January 2018, in the amount of up to \$800,000, secured by a deed of trust (4132 Beyer). No interest accrues on the Loan. The note shall expire on the earliest of: (i) no later than one hundred ninety-five (195) days after the date of the letter from TCAC awarding Tax Credits to the project, if reservation of Tax Credit is obtained, or (ii) principal was due January 29, 2022. All unpaid principal and interest were repaid as of August 31, 2022.	-	800,000
Note payable to the Century Housing Corporation, a California nonprofit corporation, dated January 2018 in the amount of \$1,950,000, secured by a deed of trust (4132 Beyer). Interest accrues at 6.25% and monthly payments of interest shall be paid on the first day of each month. Unpaid principal and interest were due September 5, 2022. All unpaid principal and interest were repaid as of August 31, 2022.	-	1,950,000
Total Affiliates	49,207,577	42,495,988
Total notes payable	89,626,315	82,697,689
Less: current portion	(3,476,860)	(5,689,875)
Less: debt issuance costs	(2,099,832)	(1,476,460)
Total notes payable, net of current portion	\$ 84,049,623	\$ 75,531,354

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Future principal payments of notes payable as of December 31, 2022 are due as follows:

Year Ending December 31,	MAAC	Affiliates	Total
2023 (a)	\$ 817,655	\$ 2,659,205	\$ 3,476,860
2024	7,944,588	398,903	8,343,491
2025	18,265,644	4,546,395	22,812,039
2026	657,342	445,593	1,102,935
2027	688,274	468,865	1,157,139
Thereafter	12,045,235	40,688,616	52,733,851
	<u>\$ 40,418,738</u>	<u>\$ 49,207,577</u>	<u>\$ 89,626,315</u>

(a) Modeled to reflect expected repayment of the taxable and tax-exempt principal balances. The expected repayments are to be sourced from capital contributions.

For the years ended December 31, 2022 and 2021, the Organization incurred interest expense of \$2,812,019 and \$3,470,049, respectively. Amortization of the debt issuance costs of \$114,148 and \$173,733 has been included in interest expense for 2022 and 2021, respectively.

10. GROUND LEASE

One of the Affiliates, Seniors on Broadway Limited Partnership (Seniors on Broadway), entered into a ground lease agreement on March 1, 2005 (Ground Lease) with the Chula Vista Elementary School District (the District). The rent commencement date is the first day of the first month after the date Seniors on Broadway achieves 90.00% or more occupancy, but in no event later than twenty-four months from March 1, 2005. The lease expires on March 1, 2080. Ground lease payments are due on the last day of each year, subject to Available Cash Flow, as defined, for the first 15 years.

Initial annual lease payments are \$5,000 with each subsequent annual lease payment increasing by \$5,000 until the annual payment reaches \$60,000 in year 12. Beginning in year thirteen through the remaining term of the lease, the annual payment shall increase by 2.50%. As of December 31, 2022, and 2021, the Seniors on Broadway owes \$370,381 and \$304,152 of ground lease payments, respectively.

To the extent the full lease payment is not paid each year from year 1 through 15, the unpaid balance shall accrue interest at an annual rate of 6.00%. All accrued and unpaid amounts are due and payable to the District no later than the end of the 15-year period. Failure to pay all accrued unpaid amounts shall constitute a material default and the District shall have all remedies available under the Ground Lease agreement, including terminating the lease and transferring the property improvements to the District. As of the Auditor's report date, the Organization has not received a notice of default, is in current negotiations with the District and believes the Ground Lease will be successfully modified to satisfy both the Organization and the District's long-term objectives.

Seniors on Broadway normalized the lease increases over the life of the ground lease. As of December 31, 2021, Seniors on Broadway recorded a current and deferred ground lease payable of \$1,717,155. During the year ended December 31, 2021, the ground lease was classified as operating lease under ASC 840, and Seniors on Broadway recognized rent expense related to the ground lease in the amount of \$127,873, which was recorded to reflect the expense on a straight-line basis over the life of the lease. The difference between the payment and the accrual is shown as deferred

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ground lease payable for financial statement purposes.

The exercise of lease renewal options is at Seniors on Broadway's sole discretion. The lease renewal terms were not recognized as part of the Organization's ROU asset and lease liabilities as the options to renew were not reasonably certain. At the adoption date, the remaining lease term for Seniors on Broadway, LP's operating lease is approximately 77 years. The ROU asset and lease liability were calculated utilizing the risk-free discount rate of 2.05%, according to Seniors on Broadway's elected policy.

As of December 31, 2022, the operating lease right-of-use asset and operating lease liability were \$2,298,587 and \$4,137,628, respectively.

The lease provides for annual rental payments, which range from \$66,229 to \$284,287. During the year ended December 31, 2022, amortization related to the ROU assets and accretion of lease liabilities amounted to \$29,868 and \$92,018, respectively, and are accounted for as part of housing and other real estate in the accompanying consolidating statements of activities.

As of December 31, 2022, the future minimum payments under the non-cancelable ground lease is as follows:

Year	Amount
2023	\$ 134,114
2024	69,582
2025	71,322
2026	73,105
2027	74,933
Thereafter	8,729,175
Total lease payments	9,152,231
Less: imputed interest	(5,014,603)
Present value of lease liability	\$ 4,137,628

During 2022 and 2021, Seniors on Broadway made no payments related to the ground lease.

11. MAAC OPERATING LEASES

MAAC occupies facilities under operating lease agreements which expire through February 2028. Rent expense was \$2,066,114 and \$2,110,682 for the years ended December 31, 2022 and 2021, respectively.

At the adoption date of ASC 842, the remaining lease term for MAAC's operating leases range from 1 to 6 years. The ROU asset and lease liability were calculated utilizing risk-free discount rate with a range from 1.37% to 2.00%, according to MAAC's elected policy.

As of December 31, 2022, the operating lease right-of-use asset and operating lease liability were \$2,815,618 and \$1,839,212, respectively.

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During the year ended December 31, 2022, amortization related to the ROU assets and accretion of lease liabilities amounted to \$1,050,056 and \$32,969 respectively and are accounted for as part of lease expense in the accompanying consolidating statement of activities.

As of December 31, 2022, the future minimum payments under the non-cancelable operating lease is as follows:

Year	Amount
2023	\$ 916,145
2024	632,741
2025	290,676
2026	37,343
2027	20,191
Thereafter	1,687
Total lease payments	1,898,783
Less: imputed interest	(32,621)
Present value of lease liability	\$ 1,866,162

12. INDIRECT COSTS

MAAC was granted an indirect cost rate of 12.0% and 9.7% by the U.S. Department of Health and Human Services, MAAC's federal cognizant agency, for the years ended December 31, 2022 and 2021, respectively.

13. COMMITMENTS AND CONTINGENCIES

Commitments In connection with the development and operations of the properties owned by the Affiliates, MAAC has made certain guaranties regarding the Affiliates' operations and tax benefits.

Grants and Contracts MAAC has grants and contracts with government agencies which are subject to audit. No provision has been made for any liability that may result from such audits since the amounts, if any, cannot be determined. Management believes that any such liability will not be material.

Contingencies The Organization may periodically be involved in litigation cases incidental to its business activities. While any litigation or investigation has an element of uncertainty, management believes that the outcome of any of these matters will not have a materially adverse effect on its consolidated financial position, results of operations or liquidity (see Note 18).

14. RELATED PARTY TRANSACTIONS

Asset Management Fees In accordance with the Partnership Agreement for 5471 Bayview Heights, L.P., the Special Limited Partner is entitled to an annual Asset Management Fee of \$15,000, increasing 3.00% annually and is payable from Net Cash Flow, as defined, with payments commencing April 1, 2020. The Partnership was charged an Asset Management Fee of \$16,391 and

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\$15,289, respectively, and as of December 31, 2022 and 2021, \$16,390 and \$15,914, respectively, remains unpaid.

In accordance with the Partnership Agreement for Villa Lakeshore 2020 LP, the Limited Partner is entitled to an annual Asset Management Fee of \$7,500, increasing 3.00% annually and is payable from Cash Flow, as defined. If Cash Flow in any year is insufficient to pay the full amount of the Asset Management Fee, the unpaid balance shall accrue with interest at 8.00%, compounded annually. Also, the Limited Partner charged the Partnership an additional Asset Management Fee of \$50,000 for support provided until the HAP contract was executed in July 2021. During 2022 and 2021, the Partnership was charged total Asset Management Fees of \$7,728 and \$56,925, respectively, of which \$14,653 and \$6,925 remains unpaid as of December 31, 2022 and 2021, respectively.

Consulting Fees In accordance with the Partnership Agreement for 4132 Beyer LP, the Administrative General Partner charged and was paid \$400,000 as a developer fee and for advisory services during 2022, which is included in rental property on the accompanying consolidated statements of financial position.

Affiliate Advances In association with the construction of the project for 4132 Beyer LP, the Administrative General partner advanced funds to the partnership for short-term cash needs. The advances are unsecured, non-interest bearing and due on demand. As of December 31, 2022 and 2021, \$63,063 and \$72,149, respectively, remains unpaid.

15. INVESTMENT IN JOINT VENTURES AND OTHER ENTITIES

In 2013, MAAC entered into three joint venture agreements with Bridge Housing (the Comm 22 LLCs) to develop affordable housing projects (130 and 70 units) in San Diego, California (the Comm 22 Partnerships). In connection with these agreements, MAAC has 25.0% and 30.6% interests in the Comm 22 LLCs. Two of the Comm 22 LLCs have 0.01% general partner interests in the Comm 22 Partnerships and are entitled to developer and partnership management fees. MAAC records its investments under the equity method of accounting due to shared control with Bridge Housing.

As of December 31, 2022 and 2021, total unpaid developer fees were \$17,945 and \$17,945, respectively.

The Comm 22 LLCs received approximately \$18,000,000 in grant funds that were used for infrastructure to develop the affordable housing projects. MAAC determined that the grant revenue received by the Comm 22 Partnerships should be deferred and recognized over the life of the infrastructure (20 years). During 2022 and 2021, MAAC recognized grant revenue of \$162,079 and \$162,079, respectively, and losses of \$320 and \$124, respectively, in its share of Comm 22 LLCs' net loss. As of December 31, 2022 and 2021, MAAC has an investment balance of \$1,142,229 and \$980,470, respectively, in the Comm 22 LLCs.

MAAC entered into unconsolidated joint ventures with CRP to develop approximately 260 affordable housing units in the City of Imperial and San Diego, California. In connection with these ventures, MAAC recorded and received approximately \$0 and \$20,000 in fees during 2022 and 2021, respectively.

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16. CORONAVIRUS (COVID-19) OUTBREAK

The outbreak of COVID-19 in early 2020 is ongoing and resulted in mandates from federal, state and/or local authorities. To date, certain responses to the COVID-19 outbreak have included mandates from federal, state and/or local authorities to mitigate the spread of the virus, which have adversely impacted global commercial activity and have contributed to significant volatility in financial markets. While the majority of the Organization's employees have been classified as essential workers and have experienced little impact related to COVID-19, certain of the Organization's administrative and support staff have been required to work remotely as a result of various governmental mandates. Although the organization has received significant financial support and the spread of COVID-19 has diminished, the ultimate impact to the Organization is unknown.

17. MAAC CHARTER HIGH SCHOOL

During 2020, MAAC's board of directors voted to transfer its Charter High School to an affiliated nonprofit in future periods. As of December 31, 2022, the transfer had not yet occurred. As of December 31, 2022 and 2021, the Charter High School had total assets of approximately \$1,600,000 and \$2,100,000, respectively, net assets of \$1,048,000 and \$159,000, respectively, and revenues of \$2,900,000 and \$4,700,000, respectively.

18. SUBSEQUENT EVENTS

MAAC has evaluated subsequent events that have occurred through the date of the independent auditor's report, which is the date that the consolidated financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements, except as discussed below and in Notes 8 and 9.

In February 2023, a legal settlement agreement was reached in a class action lawsuit against MAAC. The settlement agreement required MAAC to pay \$637,500 to the plaintiffs. The loss was recorded as an expense in 2022 and the unpaid balance is included in accounts payable and accrued expenses on the accompanying consolidated statements of financial position.

SUPPLEMENTARY INFORMATION

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SCHEDULE I

	MAAC	MAAC Real Estate	Eliminations	Sub-Total	Affiliates	Eliminations	2022 Consolidated Balance	2021 Consolidated Balance
Assets								
Current assets:								
Cash and cash equivalents	\$ 1,766,359	\$ 3,059,446	\$ -	\$ 4,825,805	\$ 677,101	\$ -	\$ 5,502,906	\$ 8,763,039
Accounts receivable, net of allowance for doubtful accounts of \$129,445 and \$73,554	2,500,062	241,886	-	2,741,948	141,839	-	2,883,787	3,712,398
Restricted cash	-	1,000,000	-	1,000,000	-	-	1,000,000	1,000,000
Prepaid expenses	556,357	186,957	-	743,314	106,440	-	849,754	648,735
Other current assets	269,853	-	-	269,853	-	-	269,853	248,562
Total current assets	5,092,631	4,488,289	-	9,580,920	925,380	-	10,506,300	14,372,734
Other assets:								
Rental property, net of accumulated depreciation	15,239,207	37,654,028	-	52,893,235	60,929,731	(9,147,322)	104,675,644	95,948,776
Property and equipment, net of accumulated depreciation	15,933,271	6,257,879	-	22,191,150	-	-	22,191,150	19,723,256
Operating lease right-of-use asset	2,815,618	-	(885,525)	1,930,093	2,298,587	-	4,228,680	-
Investments	3,672,125	-	(42,465,107)	(38,792,982)	-	40,444,013	1,651,031	1,523,138
Due from related parties	14,744,378	35,283,211	(8,838,045)	41,189,544	-	(41,171,599)	17,945	17,945
Other long-term receivables	62,774	-	-	62,774	-	-	62,774	62,774
Restricted cash	-	3,053,701	-	3,053,701	938,878	-	3,992,579	4,009,830
Deferred costs, net	-	-	-	-	1,017,051	-	1,017,051	145,835
Deposits and other assets	43,790	5,796	-	49,586	-	-	49,586	142,488
Total assets	\$ 57,603,794	\$ 86,742,904	\$ (52,188,677)	\$ 92,158,021	\$ 66,109,627	\$ (9,874,908)	\$ 148,392,740	\$ 135,946,776
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 4,670,662	\$ 1,994,997	\$ (1,852,308)	\$ 4,813,351	\$ 1,044,094	\$ (73,901)	\$ 5,783,544	\$ 5,122,403
Current portion of accrued interest payable	-	55,457	-	55,457	149,664	-	205,121	248,134
Current portion of notes payable	175,657	641,998	-	817,655	2,659,205	-	3,476,860	5,689,875
Current portion of operating lease liability	916,145	-	-	916,145	134,114	-	1,050,259	-
Deferred revenues	1,111,556	819	-	1,112,375	-	-	1,112,375	665,828
Total current liabilities	6,874,020	2,693,271	(1,852,308)	7,714,983	3,987,077	(73,901)	11,628,159	11,726,240
Deferred ground lease payable	-	-	-	-	-	-	-	1,717,155
Operating lease liability	1,839,212	-	(889,195)	950,017	4,003,514	-	4,953,531	-
Accrued interest payable, net of current portion	-	6,694,739	-	6,694,739	5,628,406	(3,633,620)	8,689,525	7,909,591
Notes payable, net of current portion and unamortized debt issuance costs	5,932,405	33,614,162	-	39,546,567	71,692,174	(27,189,118)	84,049,623	75,531,354
Due to related parties	4,223,363	2,762,375	(6,985,738)	-	10,369,066	(10,274,960)	94,106	22,839
Other liabilities	22,078	239,263	-	261,341	330,722	-	592,063	699,197
Total liabilities	18,891,078	46,003,810	(9,727,241)	55,167,647	96,010,959	(41,171,599)	110,007,007	97,606,376

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SCHEDULE I

(Continued)

	MAAC	MAAC Real Estate	Eliminations	Sub-Total	Affiliates	Eliminations	2022 Consolidated Balance	2021 Consolidated Balance
Net assets:								
Without donor restrictions:								
Undesignated	37,138,096	40,739,094	(42,461,436)	35,415,754	-	(9,147,353)	26,268,401	24,664,157
Controlling interest in Affiliates	-	-	-	-	(40,444,044)	40,444,044	-	-
Noncontrolling interest in Affiliates	-	-	-	-	10,542,712	-	10,542,712	12,897,515
With donor restrictions	1,574,620	-	-	1,574,620	-	-	1,574,620	778,728
Total net assets	38,712,716	40,739,094	(42,461,436)	36,990,374	(29,901,332)	31,296,691	38,385,733	38,340,400
Total liabilities and net assets (deficit)	\$ 57,603,794	\$ 86,742,904	\$ (52,188,677)	\$ 92,158,021	\$ 66,109,627	\$ (9,874,908)	\$ 148,392,740	\$ 135,946,776

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES
SCHEDULE II

 (A NONPROFIT CALIFORNIA CORPORATION)
 CONSOLIDATING STATEMENT OF ACTIVITIES

	MAAC	MAAC Real Estate	Eliminations	Sub-Total	Affiliates	Eliminations	2022 Consolidated Balance	2021 Consolidated Balance
Revenue and support:								
Contract revenue	\$ 38,843,331	\$ -	\$ -	\$ 38,843,331	\$ -	\$ -	\$ 38,843,331	\$ 40,858,655
Contributions of cash and other financial assets	1,745,822	-	-	1,745,822	-	-	1,745,822	1,059,071
Contributions of nonfinancial assets	1,482,960	-	-	1,482,960	-	-	1,482,960	2,136,983
Program service fees	1,858,364	-	-	1,858,364	-	-	1,858,364	1,379,929
Contractual services	3,777,289	-	(1,503,163)	2,274,126	-	(1,027,990)	1,246,136	899,498
Charter school - state aid, grants and donations	2,758,831	-	-	2,758,831	-	-	2,758,831	3,949,897
Rents and tenants fees - real estate	469,418	5,919,104	(1,022,997)	5,365,525	5,568,143	-	10,933,668	9,945,190
Equity in earnings of joint ventures	1,954,502	-	(1,379,227)	575,275	-	(413,196)	162,079	162,079
Forgiveness of debt - PPP Loan	-	-	-	-	-	-	-	3,500,000
Other revenue	59,868	155,591	(26,371)	189,088	-	(22,033)	167,055	207,544
Unrealized gain (loss) on interest rate cap	-	-	-	-	436,842	-	436,842	-
Interest income	5,851	936,994	-	942,845	406	(934,635)	8,616	355,889
Total revenue and support	52,956,236	7,011,689	(3,931,758)	56,036,167	6,005,391	(2,397,854)	59,643,704	64,454,735
Expenses:								
Program services:								
Child development	28,529,711	-	-	28,529,711	-	-	28,529,711	31,207,445
Community services	8,724,493	-	-	8,724,493	-	-	8,724,493	6,836,667
Charter high school	3,429,510	-	-	3,429,510	-	-	3,429,510	3,389,852
Housing and other real estate	3,213,272	5,654,674	(2,697,998)	6,169,948	7,947,219	(2,324,280)	11,792,887	11,970,875
Total program services	43,896,986	5,654,674	(2,697,998)	46,853,662	7,947,219	(2,324,280)	52,476,601	53,404,839
Supporting services:								
Management and general	6,870,987	-	-	6,870,987	-	-	6,870,987	5,898,794
Fundraising and development	250,783	-	-	250,783	-	-	250,783	161,482
Total supporting services	7,121,770	-	-	7,121,770	-	-	7,121,770	6,060,276
Total expenses	51,018,756	5,654,674	(2,697,998)	53,975,432	7,947,219	(2,324,280)	59,598,371	59,465,115
Total change in net assets	\$ 1,937,480	\$ 1,357,015	\$ (1,233,760)	\$ 2,060,735	\$ (1,941,828)	\$ (73,574)	\$ 45,333	\$ 4,989,620

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

SCHEDULE III

(A NONPROFIT CALIFORNIA CORPORATION)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Federal/Pass-Through Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Grantor No.</u>	<u>Total Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Program:				
HS/EHS Basic Grant 2022	93.600	09CH01074604	\$ 27,463,813	\$ -
HS/EHS Basic Grant 2021	93.600	09CH01074603	265,237	-
HS/EHS HET Funding 2022	93.600	09HE00030101-C5	259,438	-
HS/EHS HET Funding 2022	93.600	09HE00030101-C6	748,179	-
EHS CCP II COVID Grant 2022 - 2020	93.600	09HP00013003	477,686	-
EHS CCP I Grant	93.600	09HP000194-02	129,843	-
Pass-through the State of California Department of Community Services and Development - Low Income Home Energy Assistance Program				
LIHEAP 2023 Weatherization	93.568	23B-5031	42,364	-
LIHEAP 2022 Weatherization	93.568	22B-4031	684,665	-
LIHEAP 2022 ECIP, HEAP & Assurance 16	93.568	22B-4031	1,091,379	-
LIHEAP 2021 Weatherization	93.568	21B-5031	4,402	-
LIHEAP 2021 ECIP, HEAP & Assurance 16	93.568	21B-5031	16,294	-
ARPA 2021 21V-5580 EHA-16	93.568	21V-5580	1,065,241	-
Low-Income Household Water Assistance Program				
LIHWAP ARPA 2021	93.499	21Z-9568	133,556	-
Pass-through County of San Diego Health and Human Services Drug and Alcohol Programs				
Nosotros & Casa de Milagros	93.959	553460	264,654	-
			32,646,751	-
<u>US Department of Energy</u>				
Pass-through the State of California Department of Community Services and Development				
DOE 2022 weatherization	81.042	22C-6013	74,152	-
DOE 2020 weatherization	81.042	20C-6016	105,310	-
			179,462	-
<u>U.S. Department of Agriculture</u>				
Pass-through California Department of Education				
Child and Adult Care Food Program	10.558	37-1807-OJ	551,618	-
			551,618	-
<u>U.S Department of Housing and Urban Development</u>				
Pass-through City of San Diego				
Community Development Block Grant	14.218		80,672	-
Total expenditures of federal awards			\$ 33,458,503	\$ -

See independent auditor's report and notes to schedule of expenditures of federal awards.

**METROPOLITAN AREA ADVISORY COMMITTEE ON
ANTI-POVERTY OF SAN DIEGO, INC. AND AFFILIATES**

(A NONPROFIT CALIFORNIA CORPORATION)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. (MAAC) under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MAAC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of MAAC.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the presentation of, the basic consolidated financial statements.

Indirect Cost Rate MAAC has been assigned an indirect cost allocation rate of 9.7% (for new contracts beginning January 1, 2022, the assigned rate was 12.0%) by the Department of Health and Human Services.

2. AMOUNTS PROVIDED TO SUBRECIPIENTS

MAAC did not provide grant funds to subrecipients during 2022.

METROPOLITAN AREA ADVISORY COMMITTEE ON ANTI-POVERTY OF SAN DIEGO, INC

SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURES (SSRE)

CSD CONTRACT NO. 21B-5031 (WX)

FOR THE PERIOD JANUARY 1, 2020 THROUGH DECEMBER 31, 2022

- LIHEAP Contracts -

REVENUE	1-Jan-20 through 31-Dec-20	1-Jan-21 through 31-Dec-21	1-Jan-22 through 31-Dec-22	Total Audited Costs	Total Reported Expenses	Total Budget
Grant Revenue	\$ 1,267	\$ 682,324	\$ 4,402	\$ 687,993	\$ -	\$ 687,993
Total Revenue:	1,267	682,324	4,402	687,993	-	687,993
EXPENDITURES						
Weatherization Program Costs						
Intake	-	26,214	172	26,386	26,386	55,039
Outreach	-	17,477	114	17,591	17,591	34,400
Training & Technical Assistance	-	2,363	-	2,363	2,363	34,400
Weatherization Program Costs Total	-	46,054	286	46,340	46,340	123,839
Weatherization Program Activities And Program Costs						
Wx Program Activities and Program Costs	1,267	636,270	4,116	641,653	641,653	564,154
Weatherization Program Activities And Program Costs Total	1,267	636,270	4,116	641,653	641,653	564,154
Total Expenses:	\$ 1,267	\$ 682,324	\$ 4,402	\$ 687,993	\$ 687,993	\$ 687,993

METROPOLITAN AREA ADVISORY COMMITTEE ON ANTI-POVERTY OF SAN DIEGO, INC

SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURES (SSRE)

CSD CONTRACT NO. 21B-5031 (EHA-16)

FOR THE PERIOD JANUARY 1, 2020 THROUGH DECEMBER 31, 2022

- LIHEAP Contracts -

REVENUE	1-Jan-20 through 31-Dec-20	1-Jan-21 through 31-Dec-21	1-Jan-22 through 31-Dec-22	Total Audited Costs	Total Reported Expenses	Total Budget
Grant Revenue	\$ 4,423	\$ 1,068,726	\$ 16,294	\$ 1,089,443	\$ -	\$ 1,089,443
Total Revenue:	4,423	1,068,726	16,294	1,089,443	-	1,089,443
EXPENDITURES						
Assurance 16 Costs						
Assurance 16 Activities	-	61,100	-	61,100	61,100	138,458
Administrative Costs						
Administrative Costs	391	137,554	513	138,458	138,458	138,458
A-16/Administration Costs Total :	391	198,654	513	199,558	199,558	276,916
Program Costs ECIP HEAP						
Intake	-	125,144	1,021	126,165	126,165	132,658
Outreach	-	82,911	-	82,911	82,911	82,911
Training & Technical Assistance	-	3,319	-	3,319	3,319	33,164
Total Program Costs (ECIP & HEAP)	-	211,374	1,021	212,395	212,395	248,733
Program services and program costs						
Program services and program costs total	4,032	658,698	14,760	677,490	677,490	563,794
Total Expenses: \$	4,423	\$ 1,068,726	\$ 16,294	\$ 1,089,443	\$ 1,089,443	\$ 1,089,443

METROPOLITAN AREA ADVISORY COMMITTEE ON ANTI-POVERTY OF SAN DIEGO, INC

SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURES (SSRE)

CSD CONTRACT NO. 20C-6016 DOE 2020 Weatherization

FOR THE PERIOD JANUARY 1, 2020 THROUGH DECEMBER 31, 2022

- DOE Contracts -

	1-Jan-20 through 31-Dec-20	1-Jan-21 through 31-Dec-21	1-Jan-22 through 31-Dec-22	Total Audited Costs	Total Reported Expenses	Total Budget
REVENUE						
Grant Revenue	\$ 43,510	\$ 216,504	\$ 105,311	\$ 365,325	\$ -	\$ 600,000
Total Revenue:	43,510	216,504	105,311	365,325	-	600,000
EXPENDITURES						
Administrative Costs						
Administrative costs total	2,557	14,594	6,172	23,323	23,323	38,306
Training and Technical Assistance						
Training and Technical Assistance total	-	611	3,914	4,525	4,525	15,000
Program Costs						
Liability Insurance	413	2,032	1,148	3,593	3,593	7,000
Major vehicle and field equipment (\$5,000 or greater)	-	-	-	-	-	-
Health and Safety Activities	1,956	6,268	44,301	52,525	52,525	85,000
Intake	1,982	3,489	4,876	10,347	10,347	12,000
Outreach	1,321	2,392	234	3,947	3,947	8,000
Direct Program Activities	9,258	4,325	118,519	132,102	132,102	189,102
Minor Vehicle and Field Equipment (less than \$5,000)	-	-	-	-	-	5,000
General Operating Costs*	7,120	28,701	(12,074)	23,747	23,747	60,000
Other Program Costs*	18,903	153,446	(61,265)	111,084	111,084	155,592
Client Education	-	-	-	-	-	20,000
Automation Costs*	-	646	(514)	132	132	5,000
Program Costs total	40,953	201,299	95,225	337,477	337,477	546,694
Total Expenses: \$	43,510	216,504	105,311	365,325	365,325	600,000

*Based on CSD's approval, amount was reclassified from weatherization measure cost from 2020 DOE contract to 2022 LIHEAP, WX EHA and 2021 ARPA.



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Metropolitan Area Advisory Committee on
Anti-Poverty of San Diego, Inc. and Affiliates:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. and Affiliates (collectively, the Organization) which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, changes in net assets, cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Holt House Carlin & Van Tngt LLP". The signature is written in a cursive, flowing style.

Westlake Village, California
June 14, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Metropolitan Area Advisory Committee on
Anti-Poverty of San Diego, Inc. and Affiliates:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. and Affiliates' (collectively, the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with

generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Holt House Carlin & Van Tngt LLP". The signature is written in a cursive, flowing style.

Westlake Village, California
June 14, 2023

METROPOLITAN AREA ADVISORY COMMITTEE
 (A NONPROFIT CALIFORNIA CORPORATION)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2022

Section I – Summary of Auditors’ Results

Financial statements

Type of auditors’ report issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified? yes none reported

 Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified? yes none reported

 Type of auditors’ report issued on compliance for major programs Unmodified

 Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start/Early Head Start
93.959	Block Grants For Prevention And Treatment Of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs: \$1,003,755
 Auditee qualified as a low-risk auditee? yes no

Section II – Findings - Financial Statement Audit

None reported

Section III – Findings – Major Federal Award Program Audit

None reported

METROPOLITAN AREA ADVISORY COMMITTEE
(A NONPROFIT CALIFORNIA CORPORATION)
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2021

Finding - Financial Statement Audit

None reported

Finding – Major Federal Award Program Audit

None reported