

**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, 2018 AND 2017



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(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2018 AND 2017
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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 Financial Statements

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), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. and Affiliates as of December 31, 2018 and 2017, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 it 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 26-41 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 17, 2019, on our consideration of Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. and Affiliates' 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 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 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 Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. and Affiliates' internal control over financial reporting and compliance.



Westlake Village, California
June 17, 2019

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,404,593	\$ 3,185,601
Accounts receivable, net of allowance for doubtful accounts of \$74,263 and \$101,521	3,252,994	2,826,256
Other receivables	87,744	78,340
Restricted cash	11,731,286	178,919
Prepaid expenses	505,231	648,183
Other current assets	140,006	185,309
Total current assets	21,121,854	7,102,608
Other assets:		
Rental property, net of accumulated depreciation	47,960,339	46,380,074
Property and equipment, net of accumulated depreciation	6,548,390	2,116,838
Investment in joint ventures and other entities	540,138	378,177
Other long-term receivables	62,774	62,774
Restricted cash	38,109,989	3,198,800
Deferred costs	25,479	2,067
Deposits and other assets	448,069	220,475
Total assets	\$ 114,817,032	\$ 59,461,813
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,014,267	\$ 3,992,065
Lines of credit	300,000	-
Current portion of accrued interest payable	72,417	106,095
Current portion of notes payable	2,629,836	508,487
Deferred revenues	165,764	167,077
Total current liabilities	8,182,284	4,773,724
Deferred ground lease payable	1,333,536	1,205,663
Accrued interest payable, net of current portion	7,075,140	6,671,355
Notes payable, net of current portion and debt issuance costs	81,596,498	33,119,459
Due to related parties	625	-
Other liabilities	477,449	490,112
Total liabilities	98,665,532	46,260,313
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
General	12,570,777	12,525,075
Controlling interests in Affiliates	-	(490)
Total without donor restrictions	12,570,777	12,524,585
With donor restrictions	456,972	25,657
Noncontrolling interest in Affiliates	3,123,751	651,258
Total net assets	16,151,500	13,201,500
Total liabilities and net assets (deficit)	\$ 114,817,032	\$ 59,461,813

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,

2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contract revenue	\$ 29,811,044	\$ -	\$ 29,811,044
Contributions	135,434	463,776	599,210
Program service fees	1,874,538	-	1,874,538
Contractual services	3,616,130	-	3,616,130
Charter school apportionments	3,533,049	-	3,533,049
Rents and tenants fees - real estate	8,722,531	-	8,722,531
Equity in earnings of joint ventures and other	161,961	-	161,961
Other revenue	210,259	-	210,259
Interest income	17,696	-	17,696
Tenant fees	22,555	-	22,555
Net assets released from restrictions, satisfaction of program restrictions	32,461	(32,461)	-
Total revenue and support	48,137,658	431,315	48,568,973
Expenses:			
Program services:			
Child development	25,791,239	-	25,791,239
Community services	5,679,054	-	5,679,054
Charter high school	2,937,935	-	2,937,935
Housing and other real estate	9,962,316	-	9,962,316
Total program services	44,370,544	-	44,370,544
Supporting services:			
Management and general	4,010,502	-	4,010,502
Fundraising and development	240,937	-	240,937
Total supporting services	4,251,439	-	4,251,439
Total expenses	48,621,983	-	48,621,983
Total change in net assets	\$ (484,325)	\$ 431,315	\$ (53,010)

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,

2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contract revenue	\$ 27,582,015	\$ -	\$ 27,582,015
Contributions	61,430	195,135	256,565
Program service fees	1,743,079	-	1,743,079
Contractual services	3,098,045	-	3,098,045
Charter school apportionments	1,892,113	-	1,892,113
Rents and tenants fees - real estate	8,600,440	-	8,600,440
Equity in earnings on investment	161,963	-	161,963
Other revenue	276,441	-	276,441
Gain on reconveyance of note payable	350,000	-	350,000
Interest income	20,143	-	20,143
Tenant fees	6,254	-	6,254
Net assets released from restrictions, satisfaction of program restrictions	266,837	(266,837)	-
Total revenue and support	44,058,760	(71,702)	43,987,058
Expenses:			
Program services:			
Child development	25,443,996	-	25,443,996
Community services	5,184,008	-	5,184,008
Charter high school	2,713,092	-	2,713,092
Housing and other real estate	9,552,406	-	9,552,406
Total program services	42,893,502	-	42,893,502
Supporting services			
Management and general	3,429,425	-	3,429,425
Fundraising and development	222,966	-	222,966
Total supporting services	3,652,391	-	3,652,391
Total expenses	46,545,893	-	46,545,893
Total change in net assets	\$ (2,487,133)	\$ (71,702)	\$ (2,558,835)

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,

2018

	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	\$ 10,077,101	\$ 2,428,849	\$ 1,552,171	\$ 1,428,610	\$ 1,841,849	\$ 154,382	\$ 17,482,962
Payroll taxes and benefits	3,928,536	771,539	479,334	561,659	506,942	26,053	6,274,063
Temporary staffing	931,661	-	-	3,141	5,697	-	940,499
Childcare expenses	3,757,948	-	-	-	-	-	3,757,948
Non-personnel in-kind	1,834,374	40,400	-	-	-	-	1,874,774
Consultants and sub-contractors	122,896	517,133	131,945	110,662	458,247	5,411	1,346,294
Maintenance and repairs	252,449	159,582	73,508	1,302,480	41,873	1,061	1,830,953
Utilities	269,742	71,029	93,660	1,149,795	27,436	45	1,611,707
Space rental, net of sub lease rental revenue	1,168,207	172,952	1,852	127,873	28,537	-	1,499,421
Other expenses	142,514	210,040	19,766	236,708	527,851	34,228	1,171,107
Telephone	249,642	66,181	14,188	137,414	37,084	2,532	507,041
Janitorial and cleaning	357,244	32,187	7,028	101,559	25,061	-	523,079
Travel and transportation	451,539	139,468	75,259	43,957	109,668	13,997	833,888
Supplies	671,319	867,618	117,820	115,113	95,322	2,456	1,869,648
Food and nutrition	897,393	45,257	241	-	-	-	942,891
Insurance and property taxes	151,595	41,090	37,524	353,047	21,403	772	605,431
Accounting and legal	-	-	160,335	115,713	173,240	-	449,288
Special events	-	190	-	5,075	37,990	-	43,255
Interest	54,166	17,085	52,922	1,694,912	31,938	-	1,851,023
Loss on involuntary conversion	-	-	-	362,500	-	-	362,500
Depreciation and amortization	472,913	98,454	120,382	2,112,098	40,364	-	2,844,211
	\$ 25,791,239	\$ 5,679,054	\$ 2,937,935	\$ 9,962,316	\$ 4,010,502	\$ 240,937	\$ 48,621,983

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,

2017

	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	\$ 9,722,401	\$ 2,352,147	\$ 1,472,677	\$ 1,244,232	\$ 1,578,152	\$ 141,347	\$ 16,510,956
Payroll taxes and benefits	4,050,026	793,936	461,022	393,214	421,750	25,008	6,144,956
Temporary staffing	572,958	-	-	503	11,986	-	585,447
Childcare expenses	3,988,952	-	-	-	-	-	3,988,952
Non-personnel in-kind	2,012,741	6,000	-	-	-	-	2,018,741
Consultants and sub-contractors	90,235	522,443	201,956	246,531	459,486	5,904	1,526,555
Maintenance and repairs	310,579	90,928	69,473	1,787,382	30,336	2,928	2,291,626
Utilities	240,301	67,950	82,098	1,245,435	26,299	200	1,662,283
Space rental, net of sub lease rental revenue	1,204,309	163,888	166	8,888	145,837	6,320	1,529,408
Other expenses	95,432	233,461	8,777	92,499	250,749	10,110	691,028
Telephone	224,671	43,461	5,787	50,691	24,486	2,000	351,096
Janitorial and cleaning	343,679	10,628	1,465	111,922	10,640	-	478,334
Travel and transportation	450,416	99,971	72,924	24,951	137,590	16,871	802,723
Supplies	591,005	595,173	73,729	160,692	87,775	9,150	1,517,524
Food and nutrition	907,497	41,524	-	-	96	-	949,117
Insurance and property taxes	151,663	31,822	37,076	342,624	14,012	773	577,970
Accounting and legal	2,655	-	-	155,688	159,698	-	318,041
Special events	-	34,782	-	-	-	2,355	37,137
Interest	-	43,841	122,990	1,579,206	37,245	-	1,783,282
Depreciation and amortization	484,476	52,053	102,952	2,107,948	33,288	-	2,780,717
	\$ 25,443,996	\$ 5,184,008	\$ 2,713,092	\$ 9,552,406	\$ 3,429,425	\$ 222,966	\$ 46,545,893

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	Noncontrolling Interests in Affiliates	Total
	General	Controlling Interests in Affiliates	Total			
Balance, December 31, 2016	\$ 8,865,107	\$ 202,416	\$ 9,067,523	\$ 97,359	\$ 6,952,393	\$ 16,117,275
Change in net assets	(2,165,679)	(52)	(2,165,731)	(71,702)	(321,402)	(2,558,835)
Transfer in ownership	5,825,647	(202,854)	5,622,793	-	(5,622,793)	-
Distributions	-	-	-	-	(356,940)	(356,940)
Balance, December 31, 2017	12,525,075	(490)	12,524,585	25,657	651,258	13,201,500
Change in net assets	45,702	490	46,192	431,315	(530,517)	(53,010)
Contributions	-	-	-	-	3,003,010	3,003,010
Balance, December 31, 2018	\$ 12,570,777	\$ -	\$ 12,570,777	\$ 456,972	\$ 3,123,751	\$ 16,151,500

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,	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (53,010)	\$ (2,558,835)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,842,144	2,775,570
Amortization	2,067	5,147
Amortization of deferred ground lease payable	67,873	67,873
Amortization debt issuance costs	100,907	223,699
Equity in earnings of joint ventures and other	(161,961)	(161,963)
Gain from loan reconveyance	-	(350,000)
Changes in operating assets and liabilities:		
Accounts receivable	(426,738)	(41,576)
Other receivables	(9,404)	70,473
Prepaid expenses	142,952	(193,777)
Other current assets	(182,291)	80,350
Accounts payable and accrued expenses	998,723	1,157,172
Accrued interest payable	370,107	366,289
Deferred revenues	(1,313)	(158,007)
Deferred ground lease payable	60,000	60,000
Due to related parties	625	(14,053)
Other liabilities	(12,663)	(54)
Net cash provided by operating activities	3,738,018	1,328,308
Cash flows from investing activities:		
Expenditures for rental property, property and equipment	(8,814,552)	(1,151,434)
Withdrawals from (deposits to) restricted cash	(46,463,556)	462,369
Net cash used in investing activities	(55,278,108)	(689,065)
Cash flows from financing activities:		
Expenditures for deferred costs	(2,000)	-
Expenditures for debt issuance costs	(1,104,483)	-
Proceeds from (payments of) line of credit, net	300,000	(130,964)
Payments of notes payable	(10,187,446)	(3,405,624)
Proceeds from notes payable	61,750,001	3,100,000
Contributions from noncontrolling interests	3,003,010	-
Distributions to noncontrolling interests	-	(356,940)
Net cash provided by (used in) financing activities	53,759,082	(793,528)
Net change in cash and cash equivalents	2,218,992	(154,285)
Cash and cash equivalents, beginning of year	3,185,601	3,339,886
Cash and cash equivalents, end of year	\$ 5,404,593	\$ 3,185,601

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,

2018

2017

Supplemental disclosure of cash flow information:

Cash paid for interest	\$	1,403,206	\$	1,195,905
Cash paid for taxes	\$	4,000	\$	4,000

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, 2018 AND 2017

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:

- Villa Lakeshore – a 34 unit apartment project located in Lakeside, California, consisting of affordable rental housing.
- 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 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.
- President John Adams Manor Apartments – a 300 unit apartment project in the City of San Diego, San Diego County, California, consisting of affordable rental housing. The project was sold to 5471 Bayview Heights, L.P. in December 2018.
- 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 is the controlling general partner of three 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., a California limited partnership, owns and manages a 300 unit apartment project in the City of San Diego, San Diego County, California, consisting of affordable rental housing. In December 2018, the Partnership purchased the Project from MAAC President John Adams Manor, LLC.
- 4132 Beyer, L.P. a California limited partnership, owns land and is developing a 100 unit apartment project in the San Ysidro area of the City of San Diego, California. Construction is expected to commence in the Fall of 2020.

Description of Programs MAAC Head Start, Early Head Start 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.

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, 2018 AND 2017

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

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

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 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 generally accepted accounting principles 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.

Revenues, expenses, gains, losses and net assets are classified in the consolidated financial statements based on the existence or absence of donor-imposed restrictions. Revenue from grants/contracts is recognized to the extent of eligible costs incurred up to an amount not to exceed the total grant/contract authorized. Deferred revenue results from grant awards received that are applicable to the subsequent period. 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 the resource was restricted has been fulfilled, or both. As of December 31, 2018 and 2017, there were temporarily restricted net assets of \$460,761 and \$25,657, respectively, related to private grants.

Functional Allocation of Expenses The costs of providing MAAC's programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the various grants and contracts as agreed by these funding sources or, in the absence of an agreement, on a basis that appears most reasonable to the management of the Organization and is consistently applied. 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). Expenses associated with more than one program or supporting service are allocated by management based on an evaluation of MAAC's activities.

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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 School consists of the charter high school.
- Housing and other real estate includes 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 are earned through expenditure in accordance with the applicable agreement.

Revenues from program service fees are recognized as services are performed and collection is reasonably assured.

Revenues from rental properties, primarily from short-term leases, are reflected as gross potential rents, net of vacancies, as the rents become due.

Contributions are recognized at the earlier of the date of receipt of funds or the date of a formal, unconditional pledge from known donors. Contributions or unconditional promises to give with payments due in future periods are discounted to present value and reported as restricted revenue. Any funds received in advance of a condition being met are recorded as a liability under deferred revenues.

Accounting Investments in Joint Ventures Under the equity method of accounting, MAAC records its initial investment at cost and thereafter, records its portion of the entities 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 2018 and 2017, no impairment losses were recognized related to its joint venture investments.

Cash and Cash Equivalents MAAC considers cash on deposit, operating reserve cash and temporary investments with financial institutions with an original maturity of three months or less to be cash equivalents.

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Use of Estimates The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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 Acquisitions of property and equipment are capitalized by MAAC. Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. 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 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. No impairment losses were recognized in 2018 or 2017.

Contributed Materials and Services Contributed materials are recorded at their fair market value when an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. The Organization received a substantial amount of services 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. However, the fair market value of contributed professional services is reported as support and expense in the period in which the services are performed.

Concentration of Business and Credit Risk The Organizations maintain its cash in bank deposit accounts that are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. At December 31, 2018 and 2017, MAAC had certain accounts which were above the FDIC insured limit. MAAC has not experienced any losses in its bank deposit accounts and

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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, 2018 and 2017, MAAC had one federal grant that accounted for 88% and 89%, respectively, of its public support and revenues (Schedule III). During the years ended December 31, 2018 and 2017, five programs, accounted for approximately 81% and 76%, 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.

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 2014. The Partnerships and LLC's are required to pay an \$800 fee to the California Franchise Tax Board. No examinations are currently pending.

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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 position are amortized using a method that approximates the effective interest method, over the terms of the related debt agreements, as applicable.

Change in Accounting Principle Effective January 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The Organization's net assets previously reported as unrestricted net assets are now reported as net assets without donor restrictions.

Reclassifications Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year financial statement presentation.

2. 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:

Financial assets at year end:

Cash and cash equivalents	\$	5,404,593
Accounts receivable		3,252,994
Restricted cash (current and non-current)		49,841,275
Less: unavailable restricted cash for general expenditures due to: contractual lender and regulatory restrictions		(38,720,415)
Financial assets available to meet general expenditures within one year	\$	19,778,447

MAAC 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, MAAC 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 MAAC'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 our liquidity management plan, the Organization has entered into a line of credit agreement

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facility. The amount available for borrowing as of December 31, 2018 was \$700,000.

3. 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.

The financial institutions maintain a security interest in the cash account balances. Restricted cash consists of the following:

	2018	2017
Replacement reserves	\$ 6,880,888	\$ 658,926
Operating reserves	1,844,577	2,069,634
Impounds and escrows	11,731,286	178,919
Tenant security deposits	334,523	470,240
Funds held by Trustee	29,050,001	-
Total restricted cash	49,841,275	3,377,719
Less: current restricted cash	(11,731,286)	(178,919)
Total restricted cash, net of current portion	\$ 38,109,989	\$ 3,198,800

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2018	2017
Weatherization and Low Income Home Energy	\$ 518,943	\$ 354,709
Head Start	664,594	1,145,109
Charter school	909,494	517,289
Childcare food program	128,493	117,299
Pre-school	275,110	46,473
Recovery homes	255,736	130,277
Residential tenant rents	9,838	70,033
Property tax refund	404,329	219,150
Other receivables	160,720	327,438
Total accounts receivable	3,327,257	2,927,777
Less: allowance for doubtful accounts	(74,263)	(101,521)
Accounts receivable, net	\$ 3,252,994	\$ 2,826,256

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5. RENTAL PROPERTY

MAAC and the Affiliates own and operate low income housing projects. Rental property consists of the following as of December 31, 2018:

	MAAC	Affiliates	Total
Buildings and improvements	\$ 46,831,769	\$ 23,351,445	\$ 70,183,214
Land	7,592,053	3,926,020	11,518,073
Land improvements	3,356,604	1,887,211	5,243,815
Equipment	2,573,952	1,045,916	3,619,868
Total rental property	60,354,378	30,210,592	90,564,970
Less: accumulated depreciation	(32,701,950)	(9,902,681)	(42,604,631)
Rental property, net	\$ 27,652,428	\$ 20,307,911	\$ 47,960,339

Rental property consists of the following as of December 31, 2017:

	MAAC	Affiliates	Total
Buildings and improvements	\$ 56,918,116	\$ 11,307,667	\$ 68,225,783
Land	9,638,073	-	9,638,073
Land improvements	4,988,717	245,779	5,234,496
Equipment	3,411,272	208,596	3,619,868
Total rental property	74,956,178	11,762,042	86,718,220
Less: accumulated depreciation	(37,218,496)	(3,119,650)	(40,338,146)
Rental property, net	\$ 37,737,682	\$ 8,642,392	\$ 46,380,074

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

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2018 and 2017:

	2018	2017
Buildings and improvements	\$ 5,400,853	\$ 2,504,636
Land	708,988	94,988
Leasehold improvements	3,270,306	2,166,869
Vehicles	1,651,244	1,569,779
Furniture and equipment	1,415,592	1,190,731
Total property and equipment	12,446,983	7,527,003
Less: accumulated depreciation	(5,898,593)	(5,410,165)
Property and equipment, net	\$ 6,548,390	\$ 2,116,838

MAAC has a \$1,000,000 line of credit with East West Bank with interest only payments due monthly at the Prime Rate, as defined (5.50% and 4.50% as of December 31, 2018 and 2017, respectively). The line of credit had a balance of \$300,000 and \$0 as of December 31, 2018 and 2017, respectively.

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8. GROUND LEASE

One of the affiliates, Seniors on Broadway Limited Partnership, entered into a ground lease agreement on March 1, 2005 (Ground Lease) with the Chula Vista Elementary School District (District). 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. To the extent the full lease payment is not paid in a given year from year 1 through 15, the unpaid balance shall accrue interest at an annual rate of 6 percent. All accrued or unpaid amounts that were not paid are due and payable to the District no later than the end of the 15 year period. 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 2.5 percent. As of December 31, 2018 and 2017, Seniors on Broadway Limited Partnership owes \$55,000 and \$55,000 of ground lease payments, respectively.

Seniors on Broadway Limited Partnership has normalized the lease increases over the life of the Ground Lease. As of December 31, 2018 and 2017, the deferred ground lease payable was \$1,333,536 and \$1,205,663, respectively. The annual expense of \$127,873 was recorded to reflect the expense on a straight-line basis over the life of the lease. The difference between the scheduled payment (depending on cash flow) and the accrual is shown as deferred ground lease for financial statement purposes.

Scheduled ground lease payments are required as follows:

Year Ending December 31,	Payments Scheduled	Ground Lease Expense	Deferred Ground Lease
2019	\$ 61,500	\$ 127,873	\$ (66,373)
2020	63,038	127,873	(64,835)
2021	64,614	127,873	(63,259)
2022	66,229	127,873	(61,644)
2023	67,885	127,873	(59,988)
Thereafter	9,130,201	7,480,566	1,649,635
	\$ 9,453,467	\$ 8,119,931	\$ 1,333,536

9. NOTES PAYABLE

Notes payable consist of the following:

	2018	2017
<u>MAAC and MAAC Wholly Owned Real Estate (MAAC Real Estate)</u>		
Note payable to California Bank & Trust, secured by deed of trust, including assignment of rents and fixture filing and commercial security agreement. Monthly principal and interest payments of \$16,144 for 24 months. The note bears variable interest at LIBOR (fixed through April 2019) plus 2.25% (3.816% as of December 31, 2018 and 2017, respectively) through April 25, 2019. Thereafter, the interest rate is fixed for one year periods based on one year LIBOR (3.005% and 2.106% as of December 31, 2018 and 2017, respectively) plus 2.25%. Any unpaid principal and interest are due and payable on April 25, 2022.	\$ 2,970,248	\$ 3,047,439

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	2018	2017
<p>Note payable to the County of San Diego Redevelopment Agency (SDRA) with 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. The note is secured by a deed of trust covering the land, any improvements and certain other property located in Lakeside, California.</p>	1,000,000	1,000,000
<p>Note payable to the County of San Diego Department of Housing and Community Development (HCD) requiring annual payments of \$32,000, including interest at 3.00%, beginning in June 2034. The note is secured by a deed of trust covering the land, improvements and other property located at the Lakeshore property in Lakeside, California. In the event that the operations of the property generate residual revenue, 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>	356,000	356,000
<p>Note payable to Impact Funding LLC, which is serviced by Pacific Life Insurance Company, secured by a first deed of trust covering the Mercado Apartments land and improvements located in San Diego, California. Monthly installments of principal and interest of \$22,641 are based on a 30-year amortization period. Any unpaid principal and interest are due and payable on July 1, 2025. The note bears interest at 8.25% annually.</p>	1,376,545	1,527,828
<p>Note payable to Bank of America Community Development Bank, secured by a second deed of trust covering the Mercado Apartments land and improvements located in San Diego, California. 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.</p>	920,000	920,000
<p>Note payable to the City of San Diego, secured by a third deed of trust covering the Mercado Apartments land and improvements located in San Diego, California. The note accrues simple interest at 6.00% annually. The principal and any unpaid interest are due and payable in full on December 3, 2047.</p>	1,425,000	1,425,000

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	2018	2017
Note payable to the City of San Diego, secured by a fourth deed of trust covering the Mercado Apartments land and improvements located in San Diego, California. The note accrues simple interest at 6.00% annually. The principal and any unpaid interest are due and payable in full on December 3, 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.	2,860,763	3,012,809
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
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 East West Bank, secured by a deed of trust covering the Villa Lakeshore land and improvements. Monthly installments of principal and interest of \$11,585. Any unpaid principal and interest are due and payable on February 23, 2022. The note bears annual interest at 4.5%.	2,124,349	2,165,428
Note payable to Citibank N.A., in the amount of \$9,642,000, secured by the PJAM Apartments and assignments of rents. Interest accrues at 3.37% with interest only payments due monthly. The note was repaid during 2018.	-	9,642,000
Note payable to Bank of America Community Development Bank in the amount of \$2,096,860, accrues interest at 8.73% and secured by a first deed of trust. Monthly principal and interest payments of \$16,466 are based on a 30-year amortization period. Unpaid principal and interest are due on October 1, 2031.	1,517,659	1,579,783
Note payable to the County of San Diego, Department of Housing and Community Development, secured by a deed of trust. 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

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	2018	2017
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 interest shall be paid on the first day of each month. Unpaid principal and interest are due August 1, 2033.	3,214,798	-
Total MAAC and MAAC Real Estate	22,018,553	28,929,478
<u>Affiliates</u>		
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 percent and monthly payments of principal and interest of \$1,555 are due. Unpaid principal and interest are due on September 1, 2036.	186,441	191,390
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 percent and monthly payments of principal and interest of \$6,910 are due. Unpaid principal and interest are due September 1, 2036.	834,713	856,282
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 percent. 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
San Diego Housing Authority (the Issuer) Multifamily Housing Revenue Bonds, 2018 Series G-1 in the original aggregate principal amount of \$29,000,000, secured by a deed of trust (Bayview Heights), assignment of rents, and a security agreement encumbering the Project (restricted cash). In connection with the issuance of the Bonds, Bank of New York Mellon Trust Company, National Association has been appointed as the Trustee. The G-1 Bonds accrue interest at 2.05%. All unpaid principal and interest are December 1, 2020.	29,000,000	-

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	2018	2017
The Issuer Multifamily Housing Revenue Bonds, 2018 Series G-2 in the original aggregate principal amount of \$12,000,000, (\$50,001 outstanding as of December 31, 2018), secured by a deed of trust (Bayview Heights), assignment of rents, and a security agreement encumbering the Project. In connection with the issuance of the Bonds, Bank of New York Mellon Trust Company, National Association has been appointed as the Trustee. The G-2 Bonds accrue interest at LIBOR plus 1.50% (4.02% as of December 31, 2018). All unpaid principal and interest are due December 1, 2020.	50,001	-
Note payable to Red Mortgage Capital, LLC, in the amount of \$26,700,000, secured by a deed of trust (Bayview Heights), 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 made with all unpaid principal and interest due on January 1, 2036.	26,700,000	-
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 (Beyer Blvd). 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 is due January 29, 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 (Beyer Blvd). Interest accrues at 6.25% and monthly payments of interest shall be paid on the first day of each month. Unpaid principal and interest are due July 2019.	1,950,000	-
Total Affiliates	63,371,688	4,898,205
Total notes payable	85,390,239	33,827,683
Less: current portion	(2,629,836)	(508,487)
Less: debt issuance costs	(1,163,905)	(199,737)
Total notes payable, net of current portion	\$ 81,596,498	\$ 33,119,459

Future principal payments of notes payable as of December 31, 2018 are due as follows:

Year Ending December 31,	MAAC	Affiliates	Total
2019	\$ 652,254	\$ 1,977,582	\$ 2,629,836
2020	696,159	29,879,472	30,575,631
2021	746,382	299,865	1,046,247
2022	5,377,366	340,728	5,718,094
2023	712,527	358,739	1,071,266
Thereafter	13,833,863	30,515,302	44,349,165
	\$ 22,018,551	\$ 63,371,688	\$ 85,390,239

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, 2018 AND 2017

For the years ended December 31, 2018 and 2017, the Organization incurred interest expense of \$1,913,629 and \$1,785,893, respectively. Amortization of the debt issuance costs of \$100,907 and \$223,699 has been included in interest expense for 2018 and 2017, respectively.

10. Operating Leases

MAAC occupies facilities and leases vehicles and equipment under operating lease agreements which expire through October 2023. Rent expense was \$1,978,871 and \$1,999,122 for the years ended December 31, 2018 and 2017, respectively. Future minimum payments under non-cancelable operating leases as of December 31, 2018 are as follows:

<u>Year Ending December 31,</u>		<u>Amount</u>
2019	\$	852,459
2020	\$	424,234
2021	\$	168,067
2022	\$	126,051
2023	\$	31,242

11. INDIRECT COSTS

MAAC was granted an indirect cost rate of 9.7% and 9.7% by the U.S. Department of Health and Human Services, MAAC's federal cognizant agency, for the years ended December 31, 2018 and 2017, respectively.

12. 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.

13. RELATED PARTY TRANSACTIONS

Asset Management Fees In accordance with the Partnership Agreement for San Martin De Porres, L.P., the limited partner (non-controlling interest) is entitled to an annual Asset Management Fee of \$7,500, increasing by 4.00% annually and payable (in arrears) 60 days after year end from Distributable Cash, as defined. The Asset Management Fee for the years ended December 31, 2018

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, 2018 AND 2017

and 2017 was \$0 and \$5,458, respectively. As of December 31, 2018 and 2017, the fee was paid in full.

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. During 2018, the Partnership was charged an Asset Management Fee of \$625, and as of December 31, 2018, \$625 remains unpaid.

14. ACQUISITION AND SALE OF NON-CONTROLLING PARTNERSHIP INTERESTS

San Martin de Porres Apartments Effective June 1, 2017, San Martin de Porres, L.P. sold the project to San Martin de Porres, LLC, a wholly owned subsidiary of MAAC Housing Corporation. The sale was accounted for as a transfer of selected accounts at historical carrying amounts as a result of the transaction occurring between entities under common control. In connection with the sale, the limited partner was paid \$376,445 (\$19,505 paid the outstanding LP Asset Management Fee and \$356,940 was treated as a capital distribution) and its remaining capital of \$5,622,793 was transferred from non-controlling interest in affiliates to MAAC's unrestricted general net assets.

Hillside Views Apartments On December 18, 2018, 5471 Bayview Heights, L.P. purchased the Hillside Views from MAAC President John Adams Manor, LLC, a wholly owned subsidiary of MAAC Housing Corporation. The sale was accounted for as a transfer of selected accounts at historical carrying amounts, net of accumulated depreciation, as a result of the transaction occurring between entities under common control.

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, 2018 and 2017, total unpaid developer fees were \$17,945 and \$76,124, 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 2018 and 2017, MAAC recognized \$162,079 in grant revenue and losses of \$118 and \$116, respectively, in its share of Comm 22 LLCs' net loss. As of December 31, 2018 and 2017, MAAC has an investment balance of \$540,138 and \$378,177, respectively, in the Comm 22 LLCs.

**METROPOLITAN AREA ADVISORY COMMITTEE ON
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16. CASUALTY LOSS

In December 2018, the MAAC Community Center suffered water damage as result of flooding from a storm. The Partnership incurred approximately \$392,000 of repair costs, of which approximately \$30,000 of these costs are recoverable through insurance, resulting in an estimated loss of \$362,000. The loss is included in program services expenses on the accompanying consolidated statements of activities. As of December 31, 2018, approximately \$30,000 has been recorded as a receivable from the insurance company and approximately \$392,000 of repair costs are included in accounts payable on the accompanying consolidated statements of financial position.

17. SUBSEQUENT EVENTS

MAAC has evaluated subsequent events that have occurred through June 17, 2019, 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.

SUPPLEMENTARY INFORMATION

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SCHEDULE I

	MAAC	MAAC Real Estate	Eliminations	Sub-Total	Affiliates	Eliminations	2018 Consolidated Balance	2017 Consolidated Balance
Assets								
Current assets:								
Cash and cash equivalents	\$ 2,020,268	\$ 2,886,899	\$ -	\$ 4,907,167	\$ 497,426	\$ -	\$ 5,404,593	\$ 3,185,601
Accounts receivable, net of allowance for doubtful accounts of \$74,263 and \$101,521	6,098,023	29,796,974	(6,787,396)	29,107,601	-	(25,854,607)	3,252,994	2,826,256
Other receivables	6,945,368	69,799	-	7,015,167	-	(6,927,423)	87,744	78,340
Restricted cash	-	11,149,457	-	11,149,457	581,829	-	11,731,286	178,919
Prepaid expenses	397,389	107,842	-	505,231	-	-	505,231	648,183
Other current assets	140,006	-	-	140,006	-	-	140,006	185,309
Total current assets	15,601,054	44,010,971	(6,787,396)	52,824,629	1,079,255	(32,782,030)	21,121,854	7,102,608
Other assets:								
Rental property, net of accumulated depreciation	-	27,652,428	-	27,652,428	26,727,911	(6,420,000)	47,960,339	46,380,074
Property and equipment, net of accumulated depreciation	6,548,390	-	-	6,548,390	-	-	6,548,390	2,116,838
Investment in joint ventures and other entities	10,546,698	-	(48,406,715)	(37,860,017)	-	38,400,155	540,138	378,177
Other long-term receivables	62,774	-	-	62,774	-	-	62,774	62,774
Restricted cash	-	2,641,393	-	2,641,393	35,468,596	-	38,109,989	3,198,800
Deferred costs, net	-	-	-	-	25,479	-	25,479	2,067
Deposits and other assets	597,201	4,725	-	601,926	361,943	(515,800)	448,069	220,475
Total assets	\$ 33,356,117	\$ 74,309,517	\$ (55,194,111)	\$ 52,471,523	\$ 63,663,184	\$ (1,317,675)	\$ 114,817,032	\$ 59,461,813
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 4,175,610	\$ 811,866	\$ (133,364)	\$ 4,854,112	\$ 333,531	\$ (173,376)	\$ 5,014,267	\$ 3,992,065
Lines of credit	300,000	-	-	300,000	-	-	300,000	-
Current portion of accrued interest payable	-	65,608	-	65,608	6,809	-	72,417	106,095
Current portion of notes payable	136,615	515,639	-	652,254	1,977,582	-	2,629,836	508,487
Deferred revenues	164,907	857	-	165,764	-	-	165,764	167,077
Total current liabilities	4,777,132	1,393,970	(133,364)	6,037,738	2,317,922	(173,376)	8,182,284	4,773,724
Deferred ground lease payable	-	-	-	-	1,333,536	-	1,333,536	1,205,663
Accrued interest payable, net of current portion	-	5,714,180	-	5,714,180	1,391,113	(30,153)	7,075,140	6,671,355
Notes payable, net of current portion and debt issuance costs	3,009,482	18,226,942	-	21,236,424	85,937,206	(25,577,132)	81,596,498	33,119,459
Due to related parties	3,747,364	2,906,943	(6,654,307)	-	7,718,727	(7,718,102)	625	-
Other liabilities	12,678	223,687	-	236,365	241,084	-	477,449	490,112
Total liabilities	11,546,656	28,465,722	(6,787,671)	33,224,707	98,939,588	(33,498,763)	98,665,532	46,260,313

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	2018 Consolidated Balance	2017 Consolidated Balance
Net assets:								
Without donor restrictions:								
General	21,352,489	45,843,795	(48,406,440)	18,789,844	-	(6,219,067)	12,570,777	12,525,075
Controlling interest in Affiliates	-	-	-	-	(38,400,155)	38,400,155	-	(490)
With donor restrictions	456,972	-	-	456,972	-	-	456,972	25,657
Noncontrolling interest in Affiliates	-	-	-	-	3,123,751	-	3,123,751	651,258
Total net assets	21,809,461	45,843,795	(48,406,440)	19,246,816	(35,276,404)	32,181,088	16,151,500	13,201,500
Total liabilities and net assets (deficit)	\$ 33,356,117	\$ 74,309,517	\$ (55,194,111)	\$ 52,471,523	\$ 63,663,184	\$ (1,317,675)	\$ 114,817,032	\$ 59,461,813

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES
SCHEDULE II

 (A NONPROFIT CALIFORNIA CORPORATION)
 CONSOLIDATING STATEMENT OF ACTIVITIES

	MAAC		Eliminations	Sub-Total	Affiliates	Eliminations	2018 Consolidated Balance	2017 Consolidated Balance
	MAAC	Real Estate						
Revenue and support:								
Contract revenue	\$ 29,811,044	\$ -	\$ -	\$ 29,811,044	\$ -	\$ -	\$ 29,811,044	\$ 27,582,015
Contributions	599,210	-	-	599,210	-	-	599,210	256,565
Program service fees	1,874,538	-	-	1,874,538	-	-	1,874,538	1,743,079
Contractual services	12,619,832	-	(2,406,145)	10,213,687	-	(6,597,557)	3,616,130	3,098,045
Charter school apportionments	3,533,049	-	-	3,533,049	-	-	3,533,049	1,892,113
Rents and tenants fees - real estate	-	8,844,054	(631,616)	8,212,438	510,093	-	8,722,531	8,600,440
Equity in earnings of joint ventures and other	384,565	-	(222,604)	161,961	-	-	161,961	161,963
Other revenue	74,479	184,257	(18,324)	240,412	-	(30,153)	210,259	276,441
Gain on reconveyance of note payable	-	-	-	-	-	-	-	350,000
Interest income	9,079	8,617	-	17,696	-	-	17,696	20,143
Tenant fees	-	-	-	-	22,555	-	22,555	6,254
Total revenue and support	48,905,796	9,036,928	(3,278,689)	54,664,035	532,648	(6,627,710)	48,568,973	43,987,058
Expenses:								
Program services:								
Child development	25,809,564	-	(18,325)	25,791,239	-	-	25,791,239	25,443,996
Community services	5,829,247	-	(150,193)	5,679,054	-	-	5,679,054	5,184,008
Charter high school	3,306,036	-	(368,101)	2,937,935	-	-	2,937,935	2,713,092
Housing and other real estate	2,385,477	9,752,809	(3,073,465)	9,064,821	1,067,227	(169,732)	9,962,316	9,552,406
Total program services	37,330,324	9,752,809	(3,610,084)	43,473,049	1,067,227	(169,732)	44,370,544	42,893,502
Supporting services:								
Management and general	4,127,469	-	(116,967)	4,010,502	-	-	4,010,502	3,429,425
Fundraising and development	247,679	-	(6,742)	240,937	-	-	240,937	222,966
Total supporting services	4,375,148	-	(123,709)	4,251,439	-	-	4,251,439	3,652,391
Total expenses	41,705,472	9,752,809	(3,733,793)	47,724,488	1,067,227	(169,732)	48,621,983	46,545,893
Total change in net assets	\$ 7,200,324	\$ (715,881)	\$ 455,104	\$ 6,939,547	\$ (534,579)	\$ (6,457,978)	\$ (53,010)	\$ (2,558,835)

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, 2018

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass-Through Grantor No.	Total Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Health and Human Services</u>				
Direct Program:				
Head Start/Early Head Start	93.600	09CH 913305	\$ 21,208,771	\$ -
EHS CCP	93.600	09HP001703	683,990	-
EHS CCP	93.600	09HP001704	602,940	-
Pass-through the State of California Department of Community Services and Development - Low Income Home Energy Assistance Program				
LIHEAP 2017 Weatherization	93.568	17B-3032	37,508	-
LIHEAP 2017 ECIP, HEAP & Assurance 16	93.568	17B-3032	28,228	-
LIHEAP 2018 Weatherization	93.568	18B-4031	564,429	-
LIHEAP 2018 ECIP, HEAP & Assurance 16	93.568	18B-4031	832,257	-
LIHEAP 2019 Weatherization	93.568	19B-5031	41,409	-
LIHEAP 2019 ECIP, HEAP & Assurance 16	93.568	19B-5031	73,887	-
Pass-through County of San Diego Health and Human Services Drug and Alcohol Programs				
Nosotros & Casa de Milagros	93.959	553460	334,930	-
			24,408,349	-
<u>US Department of Energy</u>				
Pass-through the State of California Department of Community Services and Development				
Weatherization	81.042	17C-4022	91,090	-
<u>U.S. Department of Agriculture</u>				
Pass-through California Department of Education				
Child and Adult Care Food Program	10.558	37-1807-OJ	797,734	-
<u>Corporation for National and Community Service</u>				
Pass-through Local Initiatives Support Corporation				
Social Innovations Fund	94.019	40786-0046	17,629	-
Social Innovations Fund	94.019	40786-0049	4,440	-
Social Innovations Fund	94.019	40786-0050	111,464	-
			133,533	-
Total expenditures of federal awards			\$ 25,430,706	\$ -

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, 2018

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, 2018. 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% by the Department of Health and Human Services for the year ended December 31, 2018.

2. AMOUNTS PROVIDED TO SUBRECIPIENTS

MAAC did not provide grant funds to subrecipients during 2018.

METROPOLITAN AREA ADVISORY COMMITTEE

State of California DCSD Contract Reconciliation

FOR THE YEAR ENDED DECEMBER 31,

2018

	Yr	Contract 16B-4032			Contract 17B-3032		
		LIHEAP-WX	LIHEAP-ECIP HEAP Assurance 16	Total	LIHEAP-WX	LIHEAP-ECIP HEAP Assurance 16	Total
DCSD Contract Amount		\$ 658,336	\$ 950,852	\$ 1,609,188	\$ 779,031	\$ 1,124,009	\$ 1,903,040
DCSD Payments 16B-4032, 17B-3032							
	2016	488,241	862,730	1,350,971	85,470	72,975	158,445
	2017	170,095	88,122	258,217	281,920	541,039	822,959
	2018	-	-	-	411,641	509,995	921,636
		658,336	950,852	1,609,188	779,031	1,124,009	1,903,040
Grant Revenue Earned Per Contract							
	2016	647,728	913,782	1,561,510	230,573	271,179	501,752
	2017	10,608	37,070	47,678	510,950	824,602	1,335,552
	2018	-	-	-	37,508	28,228	65,736
Total Grant Revenue		658,336	950,852	1,609,188	779,031	1,124,009	1,903,040
Expenditures							
	2016	647,776	913,851	1,561,627	230,573	271,180	501,753
	2017	11,781	38,818	50,599	532,805	824,705	1,357,510
	2018	-	-	-	37,508	28,228	65,736
Total Expenditures		659,557	952,669	1,612,226	800,886	1,124,113	1,924,999
Expenditures in Excess of Revenues		\$ 1,221	\$ 1,817	\$ 3,038	\$ 21,855	\$ 104	\$ 21,959
Calculation of Other Revenue:							
Interest Income	2016	\$ 49	\$ 69	\$ 118	\$ -	\$ -	\$ -
	2017	-	-	-	57	103	160
	2018	-	-	-	-	-	-
Total Interest Income		49	69	118	57	103	160
Rebates		-	-	-	21,799	-	21,799
Total Other Revenue		\$ 49	\$ 69	\$ 118	\$ 21,856	\$ 103	\$ 21,959

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE

Supplemental Statement of Expenditures

Contract # 16B-4032 LIHEAP 2016

	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES				
Grant Revenue	\$ 647,728	\$ 10,608	\$ 658,336	\$ 658,336
EXPENDITURES				
Program Costs				
Intake	23,563	-	23,563	23,367
Outreach	14,751	-	14,751	14,629
Training & Technical Assistance	1,522	-	1,522	1,523
Direct Program Activities	403,623	10,825	414,448	420,281
Minor Vehicle and Field Equipment (less than \$5000)	4,633	-	4,633	4,633
General Overhead Costs	199,684	956	200,640	193,903
Total Program Costs	647,776	11,781	659,557	658,336
Total Expenditures	\$ 647,776	\$ 11,781	\$ 659,557	\$ 658,336

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE

Supplemental Statement of Expenditures

Contract # 16B-4032 ECIP, HEAP 2016, Assurance 16

	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES				
Grant Revenue	\$ 913,782	\$ 37,070	\$ 950,852	\$ 950,852
EXPENDITURES				
Assurance 16 Activities	98,375	-	98,375	96,669
Administrative Costs	119,226	2,680	121,906	121,906
Program Support Costs				
Intake	100,487	-	100,487	100,488
Outreach	62,907	-	62,907	62,907
Training & Technical Assistance	2,618	99	2,717	2,618
Out of state travel	5,865	-	5,865	5,867
Minor Vehicle and Equipment (Less than \$5,000)	4,627	-	4,627	4,627
General Overhead Costs	132,990	3,654	136,644	142,883
Total Program Support Costs	309,494	3,753	313,247	319,390
Program Services Costs				
ECIP Emergency Heating & Cooling Services (EHCS)	386,756	32,385	419,141	412,887
Total Program Services Costs	386,756	32,385	419,141	412,887
Total Expenditures	\$ 913,851	\$ 38,818	\$ 952,669	\$ 950,852

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE

Supplemental Statement of Expenditures

Contract # 17B-3032 LIHEAP 2017

	Year 2016 Audited Costs	Year 2017 Audited Costs	Year 2018 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES					
Grant Revenue	\$ 230,573	\$ 510,950	\$ 37,508	\$ 779,031	\$ 779,031
EXPENDITURES					
Program Support Costs					
Intake	14,888	17,612	-	32,500	32,500
Outreach	9,320	10,680	-	20,000	20,000
Training & Technical Assistance	370	-	-	370	370
Major Vehicle and Field Equipment (more than \$5000)	-	8,114	-	8,114	7,600
Minor Vehicle and Field Equipment (less than \$5000)	2,304	2,541	-	4,845	4,845
Liability Insurance	649	4,432	392	5,473	5,900
General Operating Costs	12,106	43,735	1,419	57,260	55,500
Total Program Support Costs	39,637	87,114	1,811	128,562	126,715
Direct Program Costs					
Direct Program Activities	123,075	313,960	28,077	465,112	447,316
Other Program Costs	67,861	131,731	7,620	207,212	205,000
Total Direct Program Costs	190,936	445,691	35,697	672,324	652,316
Total Expenditures	\$ 230,573	\$ 532,805	\$ 37,508	\$ 800,886	\$ 779,031

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE

Supplemental Statement of Expenditures

Contract # 17B-3032 LIHEAP ECIP, HEAP 2017, Assurance 16

	Year 2016 Audited Costs	Year 2017 Audited Costs	Year 2018 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES					
Grant Revenue	\$ 271,179	\$ 824,602	\$ 28,228	\$ 1,124,009	\$ 1,124,009
EXPENDITURES					
Assurance 16 Activities	20,326	105,432	2,190	127,948	128,000
Administrative Costs	43,285	105,757	1,175	150,217	150,218
Program Support Costs					
Intake	18,111	86,212	2,090	106,413	119,000
Outreach	11,338	59,982	2,090	73,410	75,000
Training & Technical Assistance	259	-	-	259	259
Out of state travel	-	2,430	-	2,430	2,430
Major Vehicle and Equipment (More than \$5,000)	-	8,114	-	8,114	7,600
Minor Vehicle and Equipment (Less than \$5,000)	2,304	2,749	-	5,053	5,053
Liability Insurance	853	3,147	-	4,000	4,400
General Operating Costs	15,509	71,592	47	87,148	81,500
Total Program Support Costs	48,374	234,226	4,227	286,827	295,242
Program Services Costs					
ECIP Emergency Heating & Cooling Services (EHCS)	131,660	232,570	13,771	378,001	375,549
Other Program Costs	27,535	146,720	6,865	181,120	175,000
Total Program Services Costs	159,195	379,290	20,636	559,121	550,549
Total Expenditures	\$ 271,180	\$ 824,705	\$ 28,228	\$ 1,124,113	\$ 1,124,009

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE

State of California DCSD Contract Reconciliation

FOR THE YEAR ENDED DECEMBER 31,

2018

	Contract 18B-4031			Contract 19B-5031			Contract 17C-4022		
	Yr	LIHEAP-ECIP HEAP		Total	LIHEAP-ECIP HEAP		DOE WX	Total	
		LIHEAP-WX	Assurance 16		LIHEAP-WX	Assurance 16			
DCSD Contract Amount		\$ 564,429	\$ 832,257	\$ 1,396,686	\$ 427,923	\$ 1,121,623	\$ 1,549,546	\$ 98,535	\$ 98,535
DCSD Payments 18B-4031, 19B-5031, 17C-4022	2018	476,896	791,788	1,268,684	-	-	-	49,228	49,228
		476,896	791,788	1,268,684	-	-	-	49,228	49,228
Grant Revenue Earned Per Contract	2018	564,429	832,257	1,396,686	41,409	73,887	115,296	91,090	91,090
Total Grant Revenue		564,429	832,257	1,396,686	41,409	73,887	115,296	91,090	91,090
Expenditures	2018	564,429	832,257	1,396,686	41,409	73,887	115,296	91,090	91,090
Total Expenditures		564,429	832,257	1,396,686	41,409	73,887	115,296	91,090	91,090
Expenditures in Excess of Revenues		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE

Supplemental Statement of Expenditures
Contract # 18B-4031 LIHEAP Weatherization

	Year 2018 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES			
Grant Revenue	\$ 564,429	\$ 564,429	\$ 564,429
EXPENDITURES			
Wx Program Costs			
Intake	8,674	8,674	45,154
Outreach	5,794	5,794	28,221
Training and Technical Assistance	7,587	7,587	28,221
Total Wx Program Costs	22,055	22,055	101,596
Wx Program Activities & Support Costs	542,374	542,374	462,833
Total Expenditures	\$ 564,429	\$ 564,429	\$ 564,429

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE

Supplemental Statement of Expenditures

Contract # 18B-4031 LIHEAP ECIP, HEAP 2018, Assurance 16

	Year 2018 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES			
Grant Revenue	\$ 832,257	\$ 832,257	\$ 832,257
EXPENDITURES			
Assurance 16 Activities	101,776	101,776	133,691
Administrative Costs	123,560	123,560	133,691
Program Support Costs			
Intake	80,332	80,332	136,168
Outreach	49,627	49,627	85,105
Training & Technical Assistance	8,998	8,998	34,042
Total Program Support Costs	138,957	138,957	255,315
Program Services And Program Costs	467,964	467,964	309,560
Total Expenditures	\$ 832,257	\$ 832,257	\$ 832,257

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE

Supplemental Statement of Expenditures

Contract # 19B-5031 LIHEAP ECIP, HEAP 2019, Assurance 16

	Year 2018 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES			
Grant Revenue	\$ 73,887	\$ 73,887	\$ 1,121,623
EXPENDITURES			
Assurance 16 Activities	4,610	4,610	142,641
Administrative Costs	10,195	10,195	142,641
Program Support Costs			
Intake	15,549	15,549	136,545
Outreach	10,366	10,366	85,341
Training and Technical Assistance	-	-	34,136
Total Program Support Costs	25,915	25,915	256,022
Program Services And Program Costs	33,167	33,167	580,319
Total Expenditures	\$ 73,887	\$ 73,887	\$ 1,121,623

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE

Supplemental Statement of Expenditures

Contract # 19B-5031 LIHEAP 2019 Weatherization

	Year 2018 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES			
Grant Revenue	\$ 41,409	\$ 41,409	\$ 427,923
EXPENDITURES			
Wx Program Costs			
Intake	951	951	57,056
Outreach	1,354	1,354	35,660
Training and Technical Assistance	-	-	35,660
Total Wx Program Costs	2,305	2,305	128,376
Wx Program Activities & Program Support Costs	39,104	39,104	299,547
Total Expenditures	\$ 41,409	\$ 41,409	\$ 427,923

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE

Supplemental Statement of Expenditures

Contract # 17C-4022 DOE 2017 Weatherization

	Year 2018 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES			
Grant Revenue	\$ 91,090	\$ 91,090	\$ 98,535
EXPENDITURES			
Administrative Costs	5,334	5,334	5,770
Training and Technical Assistance	-	-	7,392
Program Costs			
Liability Insurance	1,165	1,165	500
Major Vehicle and Field Equipment (\$5,000 or greater)	2,989	2,989	-
Minor Vehicle and Field Equipment (less than \$5,000)	-	-	1,560
Intake	1,083	1,083	1,000
Outreach	1,083	1,083	1,000
Direct Program Activities	24,844	24,844	55,000
General Operating Costs	15,255	15,255	8,200
Other Program Costs (From Section 250)	32,411	32,411	8,113
Health and Safety Activities (From Section 165)	6,926	6,926	10,000
Total Program Costs	85,756	85,756	85,373
Total Expenditures	\$ 91,090	\$ 91,090	\$ 98,535

See independent auditor's report.



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, 2018, and the related consolidated statements of activities, change in net assets, functional Expenses and cash flows for the year then ended and the related notes to the consolidated financial statements and have issued our report thereon dated June 17, 2019.

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) to determine the 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 the 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 may exist that have not been identified.

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 determination of financial statement amounts. 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.

Holtzhouse Carlin + Van Tiest LLP

Westlake Village, California
June 17, 2019



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

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 described 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, 2018. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

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, 2018.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Westlake Village, California
June 17, 2019

METROPOLITAN AREA ADVISORY COMMITTEE
 (A NONPROFIT CALIFORNIA CORPORATION)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2018

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
93.568	Low-Income Home Energy Assistance
93.959	Block Grants For Prevention And Treatment Of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs: \$762,921
 Auditee qualified as a low-risk auditee? yes no

Section II – Findings - Financial Statement Audit

None

Section III – Findings – Major Federal Award Program Audit

None

METROPOLITAN AREA ADVISORY COMMITTEE
(A NONPROFIT CALIFORNIA CORPORATION)
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2018

Finding - Financial Statement Audit

None

Finding – Major Federal Award Program Audit

None