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, 2017 AND 2016

HCVT
HOLTHOUSE | CARLIN | VAN TRIGT LLP

METROPOLITAN AREA ADVISORY COMMITTEE ON ANTI-POVERTY OF SAN DIEGO, INC. AND AFFILIATES
(A NONPROFIT CALIFORNIA CORPORATION)
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DECEMBER 31, 2017 AND 2016
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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, 2017 and 2016, and the related consolidated statements of activities, 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, 2017 and 2016, 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 25-41 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 14, 2018, 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.

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
June 14, 2018

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,		2017		2016
Assets				
Current assets:				
Cash	$	3,185,601	$	3,339,886
Accounts receivable, net of allowance for doubtful accounts of $101,521 and $76,164		2,826,256		2,784,680
Other receivables		78,340		148,813
Prepaid expenses		648,183		454,406
Other current assets		185,309		222,022
Total current assets		6,923,689		6,949,807
Other assets:				
Rental property, net of accumulated depreciation		46,380,074		47,901,662
Property and equipment, net of accumulated depreciation		2,116,838		2,219,386
Investment in joint ventures and other entities		378,177		216,214
Other long-term receivables		62,774		62,774
Restricted cash		3,377,719		3,840,088
Deferred costs, net		2,067		7,214
Deposits and other assets		220,475		264,112
Total assets	$	59,461,813	$	61,461,257
Liabilities and Net Assets (Deficit)				
Current liabilities:				
Accounts payable	$	2,587,750	$	1,667,346
Accrued expenses		1,404,315		1,167,547
Lines of credit		-		130,964
Current portion of accrued interest payable		106,095		128,267
Current portion of notes payable (Note 18)		508,487		3,351,560
Deferred revenues		167,077		325,084
Total current liabilities		4,773,724		6,770,768
Deferred ground lease payable		1,205,663		1,077,790
Accrued interest payable, net of current portion		6,671,355		6,282,894
Notes payable, net of current portion and debt issuance costs		33,119,459		30,708,311
Due to related parties		-		14,053
Other liabilities		490,112		490,166
Total liabilities		46,260,313		45,343,982
Commitments and contingencies				
Net assets:				
Unrestricted:				
General		12,525,075		8,865,107
Controlling interests in Affiliates		(490)		202,416
Total unrestricted		12,524,585		9,067,523
Temporarily restricted		25,657		97,359
Noncontrolling interest in Affiliates		651,258		6,952,393
Total net assets		13,201,500		16,117,275
Total liabilities and net assets (deficit)	$	59,461,813	$	61,461,257

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
	Unrestricted	Temporarily Restricted	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 of joint ventures and other	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 realeased 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:			
Metropolitan Area Advisory Committee	42,157,021	-	42,157,021
Limited Partnerships	814,465	-	814,465
Total program services	42,971,486	-	42,971,486
Supporting services			
Management and general	3,351,442	-	3,351,442
Fundraising and development	222,965	-	222,965
Total supporting services	3,574,407	-	3,574,407
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 ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31,			2016
	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Contract revenue	$ 28,252,697	$ -	$ 28,252,697
Contributions	18,608	253,222	271,830
Program service fees	1,775,426	-	1,775,426
Contractual services	2,973,452	-	2,973,452
Charter school apportionments	3,038,772	-	3,038,772
Rents and tenants fees - real estate	8,270,610	-	8,270,610
Equity in earnings on investment	161,926	-	161,926
Other revenue	595,082	-	595,082
Interest income	11,684	-	11,684
Tenant fees	104,363	-	104,363
Net assets realeased from restrictions, satisfaction of program restrictions	266,837	(266,837)	-
Total revenue and support	45,469,457	(13,615)	45,455,842
Expenses:			
Program services:			
Metropolitan Area Advisory Committee	40,619,413	-	40,619,413
Limited Partnerships	1,834,075	-	1,834,075
Total program services	42,453,488	-	42,453,488
Supporting services			
Management and general	3,002,547	-	3,002,547
Fundraising and development	372,380	-	372,380
Total supporting services	3,374,927	-	3,374,927
Total expenses	45,828,415	-	45,828,415
Total change in net assets	$ (358,958)	$ (13,615)	$ (372,573)

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Unrestricted					
	General	Controlling Interests in Affiliates	Total	Temporarily Restricted	Noncontrolling Interests in Affiliates	Total
Balance, December 31, 2015	$ 8,137,923	$ 259,567	$ 8,397,490	$ 110,974	$ 8,970,325	$ 17,478,789
Change in net assets	504,411	(260)	504,151	(13,615)	(863,109)	(372,573)
Transfer in ownership	222,773	(56,891)	165,882	-	(165,882)	-
Distributions	-	-	-	-	(988,941)	(988,941)
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

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,	2017	2016
Cash flows from operating activities:		
Change in net assets	$ (2,558,835)	$ (372,573)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,775,570	2,818,502
Amortization	5,147	5,147
Amortization of deferred ground lease payable	67,873	32,873
Amortization debt issuance costs	223,699	386,590
Equity in earnings of joint ventures and other	(161,963)	(161,926)
Gain from loan reconveyance	(350,000)	-
Changes in operating assets and liabilities:		
Restricted cash	462,369	377,150
Accounts receivable	(41,576)	107,424
Other receivables	70,473	357,281
Prepaid expenses	(193,777)	16,840
Other current assets	80,350	96,938
Accounts payable	920,404	(1,105,485)
Accrued expenses	236,768	(184,394)
Accrued interest payable	366,289	181,276
Deferred revenues	(158,007)	(8,601)
Deferred ground lease payable	60,000	-
Due to related parties	(14,053)	(886,810)
Other liabilities	(54)	2,192
Net cash provided by operating activities	1,790,677	1,662,424
Cash flows from investing activities:		
Expenditures for rental property, property and equipment	(1,151,434)	(1,250,720)
Net cash used in investing activities	(1,151,434)	(1,250,720)
Cash flows from financing activities:		
Expenditures for debt issuance costs	-	(158,600)
Payments of lines of credit	(130,964)	(654,114)
Payments of notes payable	(3,405,624)	(8,303,894)
Proceeds from note payable	3,100,000	9,642,000
Distributions to noncontrolling interests	(356,940)	(988,941)
Net cash used in financing activities	(793,528)	(463,549)
Net change in cash	(154,285)	(51,845)
Cash, beginning of year	3,339,886	3,391,731
Cash, end of year	$ 3,185,601	$ 3,339,886

See accompanying notes to consolidated financial statements.

FOR THE YEARS ENDED DECEMBER 31,	2017	2016
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,195,905	$ 1,339,586
Cash paid for taxes	$ 4,000	$ 4,000

See accompanying notes to consolidated financial statements.

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 complex located in Lakeside, California, which provides housing for families with low income
- Mercado Apartments – a 144 unit apartment complex located in San Diego, California, which provides housing for families with low income
- Carlsbad Laurel Tree Apartments – a 138 unit apartment complex located in Carlsbad, California, which provides housing for families with low income
- MAAC Community Center – a 73,000 square foot property located in Chula Vista, California, which is used for a charter school and various programs
- MAAC Mercado Apartments, LLC – a single member California LLC established to be the limited partner for Mercado Apartments.
- PJAM, Inc. – a California nonprofit corporation established to be the general partner of President John Adams Manor Apartments, L.P.
- MAAC President John Adams Manor LLC – a California nonprofit corporation established to be the owner of President John Adams Manor Apartments.
- MAAC Housing Corporation – a California nonprofit corporation established to be the limited partner of Carlsbad Laurel Tree Apartments, L.P., and sole member of MAAC President John Adams Manor LLC and San Martin De Porres, LLC.
- San Martin De Porres, LLC- a California limited liability company that was established to be the owner of San Martin de Porres Apartments, see below.

MAAC is the general partner of three limited partnerships (the Affiliates) that are invested in residential apartment complexes that 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.
- San Martin De Porres, L.P., a California limited partnership (San Martin) owns and manages a 116 unit apartment project in the City of Spring Valley, San Diego County, California, consisting of affordable rental housing, which was transferred to San Martin de Porres LLC during 2017.

- President John Adams Manor Apartments, L.P., a California limited partnership (PJAM) owns and manages a 300 unit apartment project in the City of San Diego, San Diego County, California, consisting of affordable rental housing, which was transferred to President John Adams Manor LLC during 2016.

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.

MAAC 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 new 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:

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds. As of December 31, 2017 and 2016, there were temporarily restricted net assets of $25,657 and $97,359, respectively, related to private grants.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations. MAAC had no permanently restricted net assets as of December 31, 2017 and 2016.

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. Accordingly, expenses identified with a specific program or supporting service are allocated directly to the related program or supporting service. Expenses associated with more than one program or supporting service are allocated by management based on an evaluation of MAAC's activities.

The functional classifications are defined as follows:

- Program service expenses consist of costs incurred in connection with providing services and conducting programs.
- 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 temporarily 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.

Statements of Cash Flows For purposes of the consolidated statements of cash flows, MAAC considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash equivalents.

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 of $5,000 or more 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 2017 or 2016.

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, 2017 and 2016, MAAC had certain accounts which were above the FDIC insured limit. MAAC has not experienced any losses in its bank deposit accounts and does not believe they are exposed to any significant credit risk related to cash.

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

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

For the years ended December 31, 2017 and 2016, MAAC had one federal grant which accounted for 89% and 85%, respectively, of its public support and revenues (Schedule III). During the years ended December 31, 2017 and 2016, four programs, accounted for approximately 76% and 80%, 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 2010. The Partnerships and LLC’s are required to pay an $800 fee to the California Franchise Tax Board. No examinations are currently pending.

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

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

Recently Issued Accounting Pronouncements In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958) (“ASU 2016-14”). These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users.

These include qualitative and quantitative requirements in the following areas:

- Net Asset Classes;
- Investment Return;
- Expenses;
- Liquidity and Availability of Resources; and
- Presentation of Operating Cash Flows

The guidance in ASU 2016-14 is effective for the Organization beginning on January 1, 2018, with early adoption permitted. The Organization has not yet determined the impact the adoption of ASU 2016-14 will have on its consolidated financial statements.

2. Restricted Cash

Cash balances are held in restricted cash accounts to comply with the terms of certain loan and other regulatory 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:

	2017	2016
Replacement reserves	$ 658,926	$ 1,006,813
Operating reserves	2,069,634	2,134,070
Impound escrows	178,919	101,856
Tenant security deposits	470,240	464,182
Other	-	133,167
Total restricted cash	$ 3,377,719	$ 3,840,088

3. Accounts Receivable

Accounts receivable consists of the following:

	2017	2016
Weatherization and Low Income Home Energy	$ 354,709	$ 869,132
Head Start	1,145,109	1,171,550
Charter school (Note 15)	517,289	302,561
Childcare food program	117,299	124,652
Pre-school	46,473	113,966
Recovery homes	130,277	90,945
Affiliates	289,183	46,661
Other receivables	327,438	141,377
Total accounts receivable	2,927,777	2,860,844
Less: allowance for doubtful accounts	(101,521)	(76,164)
Accounts receivable, net	$ 2,826,256	$ 2,784,680

4. Rental Property

MAAC and the Affiliates own and operate low income housing projects. 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

Rental property consists of the following as of December 31, 2016:

	MAAC	Affiliates	Total
Buildings and improvements	$ 43,713,671	$ 23,718,607	$ 67,432,278
Land	8,893,450	744,623	9,638,073
Land improvements	3,808,644	1,425,852	5,234,496
Equipment	3,045,116	639,642	3,684,758
Total rental property	59,460,881	26,528,724	85,989,605
Less: accumulated depreciation	(29,168,254)	(8,919,689)	(38,087,943)
Rental property, net	$ 30,292,627	$ 17,609,035	$ 47,901,662

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

5. Property and Equipment

Property and equipment consist of the following as of December 31, 2017 and 2016:

	2017	2016
Buildings and improvements	$ 2,504,636	$ 2,275,246
Land	94,988	94,988
Leasehold improvements	2,166,869	2,178,145
Vehicles	1,569,779	1,563,737
Furniture and equipment	1,190,731	1,205,623
Total property and equipment	7,527,003	7,317,739
Less: accumulated depreciation	(5,410,165)	(5,098,353)
Property and equipment, net	$ 2,116,838	$ 2,219,386

6. Lines of Credit

MAAC has an unsecured $250,000 line of credit with Raza Development Fund with interest only payments due monthly at 7.5%. The funds were used in connection with predevelopment costs associated with the COMM 22 LLC project. All outstanding principal and accrued interest were fully paid as of August 1, 2016.

MAAC also has a $1,000,000 line of credit with East West Bank with interest only payments due monthly at the greater of 4.25% or Prime (4.50% and 3.75% as of December 31, 2017 and 2016, respectively) plus 1.00%. The line of credit had a balance of $0 and $130,964 as of December 31, 2017 and 2016, respectively. All outstanding principal and accrued interest were due and paid on August 9, 2017.

7. 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, 2017 and 2016, Seniors on Broadway Limited Partnership owes $55,000 and $0 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, 2017 and 2016, the deferred ground lease payable was $1,205,663 and $1,077,790, 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 as of December 31, 2017 are required as follows:

Year Ending December 31,	Payments Scheduled	Ground Lease Expense	Deferred Ground Lease
2018	$ 115,000	$ 127,873	$ (12,873)
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)
Thereafter	9,083,086	7,608,439	1,474,647
	$ 9,453,467	$ 8,247,804	$ 1,205,663

8. Notes Payable

Notes Payable consist of the following:

MAAC and MAAC Wholly Owned Real Estate (MAAC Real Estate)	2017	2016
Note payable to California Statewide Communities Development Authority (CSCDA) to repay funds acquired through issuance of variable rate demand revenue bonds. The loan proceeds were used to acquire and rehabilitate the MAAC main campus building in Chula Vista, California. The note is secured by a deed of trust covering the land, improvements and other property. The note requires monthly payments of $19,703, including interest at a variable rate (1.71% and 0.72% as of December 31, 2017 and 2016, respectively), subject to an interest rate cap of 2.00% and it matures April 2032. The principal portion of monthly payments is deposited into a restricted account and will be applied to the principal balance of the note at certain times, as set forth in the loan and reimbursement agreements. The note is also secured by an irrevocable letter of credit for $4,263,000 which is secured by the MAAC main campus building. MAAC is required to pay quarterly letter of credit fees of $10,247. During 2017, this loan was repaid.	$ -	$ 3,000,000
Note payable to CSCDA to repay funds acquired through issuance of Qualified Zone Academy Bonds. The loan proceeds were used to renovate and rehabilitate a qualified zone academy facility. The loan does not accrue interest and bi-monthly payments of $27,546 are required until the remaining principal is due in January 2016. Payments are deposited into a restricted account and will be applied to the principal of the note at the maturity date. The note is secured by a lease agreement between MAAC and the Sweetwater Union High School District. During 2016, the loan was repaid.	-	-
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 plus 2.25% (3.816% as of December 31, 2017) through April 25, 2019. Thereafter, the interest rate is fixed for one year periods based on one year LIBOR (2.106% as of December 31, 2017) plus 2.25%. Any unpaid principal and interest are due and payable on April 25, 2022.	3,047,439	-

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.	1,000,000	1,000,000
Note payable to Wells Fargo Bank, unsecured, with a fixed interest rate of 3.00% requiring quarterly principal payments of $10,000 plus interest. The principal balance including any unpaid interest is due at the earlier of closing of normal business operations or the maturity date in December 2017. This loan was repaid in 2017.	-	164,547
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.	356,000	356,000
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.	1,527,828	1,667,171

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.	920,000	920,000
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.	1,425,000	1,425,000
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 (the Pacific Life Loan), 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.	3,012,809	3,154,843
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 (the HOME Loan), 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%.	2,165,428	2,204,678

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 entire unpaid principal balance and interest are due and payable on June 1, 2019.	9,642,000	9,642,000
Note payable to Bank of America Community Development Bank (the B of A Loan) 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.	1,579,783	1,636,731
Note payable to Federal Home Loan Bank, secured by a 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. During 2017, the loan was reconveyed to MAAC.	-	350,000
Note payable to the County of San Diego, Department of Housing and Community Development (the SD County Loan), 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
Total MAAC and MAAC Real Estate	$ 28,929,478	$ 29,774,161
Affiliates		
Note payable to U.S. Bank National Association (Note A) dated February 28, 2005 in the amount of $225,000, secured by a deed of trust. 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.	$ 191,390	$ 195,992
Note payable to U.S. Bank National Association (Note B) dated February 28, 2005 in the amount of $1,000,000, secured by a deed of trust. 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.	856,282	876,333
Note payable to the City of Chula Vista dated February 22, 2005, secured by a deed of trust. 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 dated September 21, 2005. The note is non-interest bearing and will be forgiven after the 15-year compliance period.	339,339	339,339
Total Affiliates	4,898,205	4,922,858
Total notes payable	33,827,683	34,697,019
Less: amounts held in bond repayment reserve account	-	(213,713)
Less: current portion	(508,487)	(3,351,560)
Less: debt issuance costs	(199,737)	(423,435)
Total notes payable, net of current portion	$ 33,119,459	$ 30,708,311

The Affiliates' notes payable are secured by real estate with a net book value of approximately $9,000,000.

Future principal payments of notes payable as of December 31, 2017 are due as follows:

Year Ending December 31,	MAAC	Affiliates	Total
2018	$ 482,820	$ 25,667	$ 508,487
2019	10,157,639	27,582	10,185,221
2020	551,228	29,471	580,699
2021	591,489	31,840	623,329
2022	5,212,431	34,216	5,246,647
Thereafter	11,933,871	4,749,429	16,683,300
	$ 28,929,478	$ 4,898,205	$ 33,827,683

For the years ended December 31, 2017 and 2016, the Organization incurred interest expense of $1,785,893 and $1,601,926, respectively. Amortization of the debt issuance costs of $223,699 and $75,692 has been included in interest expense for 2017 and 2016, respectively.

9. Operating Leases

MAAC occupies facilities and leases vehicles and equipment under operating lease agreements which expire through May 2021. Rent expense was $1,999,122 and $1,966,375 for the years ended December 31, 2017 and 2016, respectively. Future minimum payments under non-cancelable operating leases as of December 31, 2017 are as follows:

Year Ending December 31,	Amount
2018	$ 974,907
2019	$ 459,547
2020	$ 230,788
2021	$ 42,300
2022	$ -
Thereafter	$ -

10. Indirect Costs

MAAC was granted an indirect cost rate of 9.7% and 10.1% by the U.S. Department of Health and Human Services, MAAC's federal cognizant agency for the years ended December 31, 2017 and 2016, respectively.

11. 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.

12. Related Party Transactions

Asset Management Fees In accordance with the PJAM Partnership Agreement, the limited partner (non-controlling interest) is to receive an annual LP Asset Management Fee (the Asset Management Fee) equal to $50,000, increasing by 4.00% annually. The Asset Management Fee shall be payable only from Excess Cash, as defined. During 2017 and 2016, the Partnership was charged $0 and $42,205 as an Asset Management Fee, respectively. As of December 31, 2017 and 2016, all Asset Management Fees were paid in full.

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, 2017 and 2016 was $5,458 and $14,046, respectively. As of December 31, 2017 and 2016, $0 and $14,046 remains unpaid and is included in due to related parties in the accompanying consolidated statements of financial position.

13. Acquisition of Non-Controlling Partnership Interest

President John Adams Manor Apartments Effective May 27, 2016, President John Adams Manor Apartments, L.P. sold the project to 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 as a result of the transaction occurring between entities under common control. In connection with the sale, the limited partner was paid $1,905,849 ($929,561 paid the outstanding LP Asset Management Fee and $976,288 was treated as a capital distribution) and its remaining capital of $165,882 was transferred from non-controlling interest in affiliates to MAAC's unrestricted general net assets.

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.

14. 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.

For the years ended December 31, 2017 and 2016, MAAC recognized $0 and $149,313 in developer fees, respectively. As of December 31, 2017 and 2016, total unpaid developer fees were $76,124 and $145,813, 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 2017 and 2016, MAAC recognized $162,079 in grant revenue and losses of $116 and $153, respectively, in its share of Comm 22 LLCs' net loss. As of December 31, 2017 and 2016, MAAC has an investment balance of $378,177 and $216,214, respectively, in the Comm 22 LLCs.

15. Subsequent Events

MAAC has evaluated subsequent events that have occurred through June 14, 2018, which is the date that the consolidated financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements, except as noted below.

During 2017, the California Department of Education's disallowed MAAC's funding requests related to the Charter School's independent study program. As a result, MAAC appealed the disallowance and in February 2018, MAAC received notification that the disallowed funding would be eligible for payment in the future periods. For financial reporting purposes, the recognition of the retroactive funding, estimated to be approximately $400,000, will be reported as revenue when received in future periods.

SUPPLEMENTARY INFORMATION

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

SCHEDULE I

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

	MAAC	MAAC Real Estate	Eliminations	Sub-Total	Affiliates	Eliminations	2017 Consolidated Balance	2016 Consolidated Balance
Assets								
Current assets:								
Cash	$ 1,147,710	$ 2,024,361	$ -	$ 3,172,071	$ 13,530	$ -	$ 3,185,601	$ 3,339,886
Accounts receivable, net of allowance for doubtful accounts of $101,521 and $76,164	5,536,350	1,999,038	(4,601,199)	2,934,189	-	(107,933)	2,826,256	2,784,680
Other receivables	541,506	2,216	-	543,722	-	(465,382)	78,340	148,813
Prepaid expenses	493,678	154,505	-	648,183	-	-	648,183	454,406
Other current assets	185,309	-	-	185,309	-	-	185,309	222,022
Total current assets	7,904,553	4,180,120	(4,601,199)	7,483,474	13,530	(573,315)	6,923,689	6,949,807
Other assets:								
Rental property, net of accumulated depreciation	-	37,737,682	-	37,737,682	8,642,392	-	46,380,074	47,901,662
Property and equipment, net of accumulated depreciation	2,116,838	-	-	2,116,838	-	-	2,116,838	2,219,386
Investment in joint ventures and other entities	10,038,077	-	(9,660,390)	377,687	-	490	378,177	216,214
Other long-term receivables	62,774	-	-	62,774	-	-	62,774	62,774
Restricted cash	-	3,238,618	-	3,238,618	139,101	-	3,377,719	3,840,088
Deferred costs, net	-	-	-	-	2,067	-	2,067	7,214
Deposits and other assets	201,765	4,725	-	206,490	13,985	-	220,475	264,112
Total assets	$ 20,324,007	$ 45,161,145	$ (14,261,589)	$ 51,223,563	$ 8,811,075	$ (572,825)	$ 59,461,813	$ 61,461,257
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	$ 2,204,370	$ 363,590	$ -	$ 2,567,960	$ 73,776	$ (53,986)	$ 2,587,750	$ 1,667,346
Accrued expenses	1,383,349	20,966	-	1,404,315	-	-	1,404,315	1,167,547
Lines of credit	-	-	-	-	-	-	-	130,964
Current portion of accrued interest payable	-	99,286	-	99,286	6,809	-	106,095	128,267
Current portion of notes payable	-	482,820	-	482,820	25,667	-	508,487	3,351,560
Deferred revenues	147,775	19,302	-	167,077	-	-	167,077	325,084
Total current liabilities	3,735,494	985,964	-	4,721,458	106,252	(53,986)	4,773,724	6,770,768
Deferred ground lease payable	-	-	-	-	1,205,663	-	1,205,663	1,077,790
Accrued interest payable, net of current portion	-	5,437,690	-	5,437,690	1,233,665	-	6,671,355	6,282,894
Notes payable, net of current portion and debt issuance costs	-	28,291,059	-	28,291,059	4,828,400	-	33,119,459	30,708,311
Due to related parties	1,966,699	2,634,775	(4,601,474)	-	762,302	(762,302)	-	14,053
Other liabilities	12,678	453,409	-	466,087	24,025	-	490,112	490,166
Total liabilities	5,714,871	37,802,897	(4,601,474)	38,916,294	8,160,307	(816,288)	46,260,313	45,343,982

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

SCHEDULE I

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

(Continued)

	MAAC	MAAC Real Estate	Eliminations	Sub-Total	Affiliates	Eliminations	2017 Consolidated Balance	2016 Consolidated Balance
Net assets:								
Unrestricted:								
General	$ 14,583,479	$ 7,358,248	$ (9,660,115)	$ 12,281,612	$ -	$ 243,463	$ 12,525,075	$ 8,865,107
Controlling interest in Affiliates	-	-	-	-	(490)	-	(490)	202,416
Temporarily restricted	25,657	-	-	25,657	-	-	25,657	97,359
Noncontrolling interest in Affiliates	-	-	-	-	651,258	-	651,258	6,952,393
Total net assets	14,609,136	7,358,248	(9,660,115)	12,307,269	650,768	243,463	13,201,500	16,117,275
Total liabilities and net assets (deficit)	$ 20,324,007	$ 45,161,145	$ (14,261,589)	$ 51,223,563	$ 8,811,075	$ (572,825)	$ 59,461,813	$ 61,461,257

See independent auditor's report.

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

	MAAC	MAAC Real Estate	Eliminations	Sub-Total	Affiliates	Eliminations	2017 Consolidated Balance	2016 Consolidated Balance
Revenue and support:								
Contract revenue	$ 27,582,015	$ -	$ -	$ 27,582,015	$ -	$ -	$ 27,582,015	$ 28,252,697
Contributions	256,565	-	-	256,565	-	-	256,565	271,830
Program service fees	1,743,079	-	-	1,743,079	-	-	1,743,079	1,775,426
Contractual services	4,900,365	-	(1,666,836)	3,233,529	-	(135,484)	3,098,045	2,973,452
Charter school apportionments	1,892,113	-	-	1,892,113	-	-	1,892,113	3,038,772
Rents and tenants fees - real estate	100	8,837,840	(621,103)	8,216,837	383,603	-	8,600,440	8,270,610
Equity in earnings of joint ventures and other	338,680	-	(176,717)	161,963	-	-	161,963	161,926
Other revenue	151,059	1,045,448	(920,066)	276,441	-	-	276,441	595,082
Gain on reconveyance of note payable	-	350,000	-	350,000	-	-	350,000	-
Interest income	4,626	15,517	-	20,143	-	-	20,143	11,684
Tenant fees	-	-	-	-	6,254	-	6,254	104,363
Total revenue and support	36,868,602	10,248,805	(3,384,722)	43,732,685	389,857	(135,484)	43,987,058	45,455,842
Expenses:								
Program services:								
Metropolitan Area Advisory Committee	36,286,815	9,792,628	(3,922,370)	42,157,073	-	(52)	42,157,021	40,619,413
Limited Partnerships	-	-	-	-	910,751	(96,286)	814,465	1,834,075
Total program services	36,286,815	9,792,628	(3,922,370)	42,157,073	910,751	(96,338)	42,971,486	42,453,488
Supporting services								
Management and general	3,351,442	-	-	3,351,442	-	-	3,351,442	3,002,547
Fundraising and development	222,965	-	-	222,965	-	-	222,965	372,380
Total supporting services	3,574,407	-	-	3,574,407	-	-	3,574,407	3,374,927
Total expenses	39,861,222	9,792,628	(3,922,370)	45,731,480	910,751	(96,338)	46,545,893	45,828,415
Total change in net assets	$ (2,992,620)	$ 456,177	$ 537,648	$ (1,998,795)	$ (520,894)	$ (39,146)	$ (2,558,835)	$ (372,573)

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, 2017

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass-Through Grantor No.	Total Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services				
Direct Program:				
Head Start/Early Head Start	93.600	09CH 913304	$ 20,893,096	$ -
EHS CCP	93.600	09HP001701	909,364	-
EHS CCP	93.600	09HP001702	580,460	-
Pass-through the State of California Department of Community Services and Development - Low Income Home Energy Assistance Program				
LIWP Weatherization	93.568	15K-6018	32,289	-
LIHEAP 2016 Weatherization	93.568	16B-4032	10,609	-
LIHEAP 2016 ECIP, HEAP & Assurance 16	93.568	16B-4032	37,070	-
LIHEAP 2017 Weatherization	93.568	17B-3032	510,950	-
LIHEAP 2017 ECIP, HEAP & Assurance 16	93.568	17B-3032	824,602	-
Pass-through County of San Diego Health and Human Services Drug and Alcohol Programs				
Nosotros & Casa de Milagros	93.959	553460	289,913	-
				-
			24,088,353	-
US Department of Energy				
Pass-through the State of California Department of Community Services and Development				
Weatherization	81.042	16C-6029	120,085	-
U.S. Department of Agriculture				
Pass-through California Department of Education				
Child and Adult Care Food Program	10.558	37-1807-OJ	779,732	-
Corporation for National and Community Service				
Pass-through Local Initiatives Support Corporation				-
Social Innovations Fund	94.019	40786-0045	15,909	
Social Innovations Fund	94.019	40786-0046	102,145	
Social Innovations Fund	94.019	40786-0049	3,565	
			121,619	-
Total expenditures of federal awards			$ 25,109,789	$ -

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

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, 2017. 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, 2017.

2. AMOUNTS PROVIDED TO SUBRECIPIENTS

MAAC did not provide grant funds to subrecipients during 2017.

METROPOLITAN AREA ADVISORY COMMITTEE

State of California DCSD Contract Reconciliation

FOR THE YEAR ENDED DECEMBER 31, 2017

		Contract 15B-3033			Contract 15K-6018	Contract 16C-6029
	Yr	**LIHEAP-WX**	**LIHEAP-ECIP HEAP Assurance 16**	**Total**	**LIWP**	**DOE Wx**
DCSD Contract Amount		$ 712,634	$ 853,000	$ 1,565,634	$ 766,322	$ 140,568
DCSD Payments 15B-3033, 15K-6018, 16C-6029	2015	567,821	727,993	1,295,814	129,181	-
	2016	144,812	125,007	269,819	338,193	15,917
	2017	-	-	-	298,948	124,651
		$ 712,633	$ 853,000	$ 1,565,633	$ 766,322	$ 140,568
Grant Revenue Earned Per Contract	2015	707,848	851,252	1,559,100	163,127	-
	2016	4,785	1,748	6,533	570,906	20,483
	2017	-	-	-	32,289	120,085
Total Grant Revenue		712,633	853,000	1,565,633	766,322	140,568
Expenditures	2015	708,070	850,836	1,558,906	168,081	-
	2016	3,865	-	3,865	567,443	20,484
	2017	1,009	2,725	3,734	31,572	122,475
Total Expenditures		712,944	853,561	1,566,505	767,096	142,959
Expenditures in Excess of Revenues		$ 311	$ 561	$ 872	$ 774	$ 2,391

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE

Supplemental Statement of Expenditures

Contract # 15B-3033 LIHEAP 2015

	Year 2015 Audited Costs	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES					
Grant Revenue	$ 707,848	$ 4,785	$ -	$ 712,633	$ 712,634
EXPENDITURES					
Program Costs					
Intake	34,981	-	-	34,981	40,547
Outreach	28,621	-	-	28,621	29,353
Training & Technical Assistance	4,564	-	-	4,564	4,564
Direct Program Activities	521,478	3,865	1,009	526,352	523,884
Liability Insurance	12,142	-	-	12,142	11,947
Minor Vehicle and Field Equipment (less than $5000)	9,524	-	-	9,524	11,276
Worker's Compensation	56,013	-	-	56,013	54,223
General Operating Expenses	40,747	-	-	40,747	36,840
Total Program Costs	708,070	3,865	1,009	712,944	712,634
Total Expenditures	$ 708,070	$ 3,865	$ 1,009	$ 712,944	$ 712,634

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE

Supplemental Statement of Expenditures

Contract # 15B-3033 LIHEAP 2015 ECIP, HEAP 2015, Assurance 16

	Year 2015 Audited Costs	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES					
Grant Revenue	$ 851,252	$ 1,748	$ -	$ 853,000	$ 853,000
EXPENDITURES					
Assurance 16 Activities	91,111	-	-	91,111	94,123
Administrative Costs	137,991	-	907	138,898	138,898
Program Costs					
Intake	123,381	-	-	123,381	123,304
Outreach	77,239	-	-	77,239	78,157
Training & Technical Assistance	7,773	-	-	7,773	6,089
ECIP HEAP Program Costs					
ECIP EHCS Diagnostics	4,862	-	-	4,862	4,200
ECIP EHCS Cooling Service Rep/Replacement	19,146	-	-	19,146	19,312
ECIP EHCS Heating Service Repairs/Replacement	150,948	-	-	150,948	154,006
Water Heater Repair/Replacement	38,046	-	-	38,046	35,879
ECIP EHS Other Program Costs	89,044	-	-	89,044	91,044
Liability Insurance	18,724	-	892	19,616	18,724
Minor Vehicle and Equipment(less than $5000)	6,787	-	-	6,787	6,787
Worker's Compensation	20,393	-	-	20,393	19,715
General & Operating Expenses	65,391	-	926	66,317	62,762
Total ECIP HEAP Program Costs	413,341	-	1,818	415,159	412,429
Total Expenditures	$ 850,836	$ -	$ 2,725	$ 853,561	$ 853,000

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE
Supplemental Statement of Expenditures
Contract 15K-6018 LIWP 2015

	Year 2015 Audited Costs	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES					
Grant Revenue	$ 163,127	$ 570,906	$ 32,289	$ 766,322	$ 766,322
EXPENDITURES					
Ramp-Up Costs					
Ramp-up Administrative Costs	1,133	-	-	1,133	1,134
Ramp-up Activities	22,664	-	-	22,664	22,663
Total Ramp-Up Costs	23,797	-	-	23,797	23,797
Production Costs					
Administrative Costs	7,023	21,448	7,024	35,495	35,495
Program Costs					
Intake	13,486	16,358	-	29,844	32,042
Outreach	13,399	8,525	-	21,924	20,059
Training and Technical Assistance	2,939	3,238	400	6,577	6,890
General Overhead Costs	51,945	39,688	-	91,633	110,896
Single-Family Weatherization	49,535	441,607	24,148	515,290	500,564
Small Multi-Family Weatherization	5,957	36,579	-	42,536	36,579
Solar Water Heating	-	-	-	-	-
Total Program Costs	137,261	545,995	24,548	707,804	707,030
Total Expenditures	$ 168,081	$ 567,443	$ 31,572	$ 767,096	$ 766,322

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE

Supplemental Statement of Expenditures
Contract 16C-6029 DOE 2016

	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES				
Grant Revenue	$ 20,483	$ 120,085	$ 140,568	$ 140,568
EXPENDITURES				
Administrative Costs	1,184	10,027	11,211	11,211
Training & Technical Assistance	3,799	31	3,830	3,878
Program Costs				
Liability Insurance	1,288	319	1,607	2,600
Intake	1,432	1,851	3,283	3,100
Outreach	1,125	1,010	2,135	2,000
Direct Program Activities	-	68,278	68,278	68,779
Client Education	-	1,723	1,723	2,500
Minor Vehicle & Field Equipment	535	1,261	1,796	1,500
General/Operating Expeditures	11,121	22,909	34,030	30,000
Health & Safety	-	15,066	15,066	15,000
Total Program Costs	15,501	112,417	127,918	125,479
Total Expenditures	$ 20,484	$ 122,475	$ 142,959	$ 140,568

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE

State of California DCSD Contract Reconciliation

FOR THE YEAR ENDED DECEMBER 31, 2017

		Contract 16B-4032			Contract 17B-3032			Contract 18B-4031		
	Yr	LIHEAP-WX	LIHEAP-ECIP HEAP Assurance 16	Total	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, 18B-4031										
	2016	488,241	862,730	1,350,971	85,470	72,975	158,445	-	-	-
	2017	170,095	88,122	258,217	281,919	541,038	822,957	-	-	-
		658,336	950,852	1,609,188	367,389	614,013	981,402	-	-	-
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	-	-	-
Total Grant Revenue		658,336	950,852	1,609,188	741,523	1,095,781	1,837,304	-	-	-
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	-	-	-
Total Expenditures		659,557	952,669	1,612,226	763,378	1,095,885	1,859,263	-	-	-
Expenditures in Excess of Revenues		$ 1,221	$ 1,817	$ 3,038	$ 21,855	$ 104	$ 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 Weatherization

	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES				
Grant Revenue	$ 230,573	$ 510,950	$ 741,523	$ 779,031
Other Revenue	-	21,799	21,799	-
Total Revenues	230,573	532,749	763,322	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	5,081	5,900
General Operating Costs	12,106	43,735	55,841	55,500
Total Program Support Costs	39,637	87,114	126,751	126,715
Direct Program Costs				
Direct Program Activities	123,075	313,960	437,035	447,316
Other Program Costs	67,861	131,731	199,592	205,000
Total Direct Program Costs	190,936	445,691	636,627	652,316
Total Expenditures	$ 230,573	$ 532,805	$ 763,378	$ 779,031

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE
Supplemental Statement of Expenditures
Contract # 17B-3032 ECIP, HEAP 2017, Assurance 16

	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES				
Grant Revenue	$ 271,179	$ 824,602	$ 1,095,781	$ 1,124,009
EXPENDITURES				
Assurance 16 Activities	20,326	105,432	125,758	128,000
Administrative Costs	43,285	105,757	149,042	150,218
Program Support Costs				
Intake	18,111	86,212	104,323	119,000
Outreach	11,338	59,982	71,320	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	87,101	81,500
Total Program Support Costs	48,374	234,226	282,600	295,242
Program Services Costs				
ECIP Emergency Heating & Cooling Services (EHCS)	131,660	232,570	364,230	375,549
Other Program Costs	27,535	146,720	174,255	175,000
Total Program Services Costs	159,195	379,290	538,485	550,549
Total Expenditures	$ 271,180	$ 824,705	$ 1,095,885	$ 1,124,009

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE
Supplemental Statement of Expenditures
Contract # 18B-4031 LIHEAP 2018 Weatherization

	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES			
Grant Revenue	$ -	$ -	$ 290,319
EXPENDITURES			
Wx Program Costs			
Intake	-	-	23,226
Outreach	-	-	14,516
Training and Technical Assistance	-	-	14,516
Total Wx Program Costs	-	-	52,258
Wx Program Activities & Program Support Costs	-	-	238,061
Total Expenditures	$ -	$ -	$ 290,319

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE
Supplemental Statement of Expenditures
Contract # 18B-4031 ECIP, HEAP 2018, Assurance 16

	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES			
Grant Revenue	$ -	$ -	$ 738,479
EXPENDITURES			
Assurance 16 Activities	-	-	84,766
Administrative Costs	-	-	84,766
Program Support Costs			
Intake	-	-	79,674
Outreach	-	-	49,796
Training & Technical Assistance	-	-	19,919
Total Program Support Costs	-	-	149,389
Program Services And Program Costs	-	-	419,558
Total Expenditures	$ -	$ -	$ 738,479

See independent auditor's report.

HOLTHOUSE | CARLIN | VAN TRIGT LLP

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, 2017, and the related consolidated statements of activities, change in net assets, 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 14, 2018.

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.

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
June 14, 2018

HOLTHOUSE | CARLIN | VAN TRIGT LLP

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, 2017. The Organization's major federal program 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, 2017.

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.

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
June 14, 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	_x_no
Significant deficiency(ies) identified?	___yes	_x_none reported
Noncompliance material to the financial statements noted?	___yes	_x_no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	___yes	_x_no
Significant deficiency(ies) identified?	___yes	_x_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	_x_no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.600	Head Start/Early Head Start
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs:	$753,294	
Auditee qualified as a low-risk auditee?	x_yes	___no

Section II – Findings - Financial Statement Audit

None

Section III – Findings – Major Federal Award Program Audit

None

Finding - Financial Statement Audit

None

Finding – Major Federal Award Program Audit

None