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, 2019 AND 2018

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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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, 2019 and 2018, 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, 2019 and 2018, 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 30-36 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 August 17, 2020, 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
August 17, 2020

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,		2019		2018
Assets				
Current assets:				
Cash and cash equivalents	$	12,387,899	$	5,404,593
Accounts receivable, net of allowance for doubtful accounts of $74,263 and $74,263		3,381,463		3,252,994
Other receivables		17,945		87,744
Restricted cash		33,995,803		11,731,286
Prepaid expenses		600,084		505,231
Other current assets		181,496		140,006
Total current assets		50,564,690		21,121,854
Other assets:				
Rental property, net of accumulated depreciation		72,767,843		41,171,946
Property and equipment, net of accumulated depreciation		19,425,334		13,360,173
Investment in joint ventures and other entities		702,104		540,138
Other long-term receivables		62,774		62,774
Restricted cash		3,373,192		38,109,989
Deferred costs		166,274		25,479
Deposits and other assets		983,541		424,679
Total assets	$	148,045,752	$	114,817,032
Liabilities and Net Assets (Deficit)				
Current liabilities:				
Accounts payable and accrued expenses	$	10,320,924	$	5,014,267
Lines of credit		-		300,000
Current portion of accrued interest payable		342,956		1,433,377
Current portion of notes payable		31,720,952		2,629,836
Deferred revenues		516,972		165,764
Total current liabilities		42,901,804		9,543,244
Deferred ground lease payable		1,461,409		1,333,536
Accrued interest payable, net of current portion		7,137,474		5,714,180
Notes payable, net of current portion and unamortized debt issuance costs		67,535,233		81,596,498
Due to related parties		15,625		625
Other liabilities		914,743		477,449
Total liabilities		119,966,288		98,665,532
Commitments and contingencies				
Net assets:				
Without donor restrictions:				
General		15,538,083		12,570,777
With donor restrictions		359,304		456,972
Noncontrolling interest in Affiliates		12,182,077		3,123,751
Total net assets		28,079,464		16,151,500
Total liabilities and net assets (deficit)	$	148,045,752	$	114,817,032

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,			2019
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contract revenue	$ 35,487,026	$ -	$ 35,487,026
Contributions	135,685	37,000	172,685
Program service fees	1,741,673	-	1,741,673
Contractual services	4,156,430	-	4,156,430
Charter school apportionments	3,397,291	-	3,397,291
Rents and tenants fees - real estate	9,160,680	-	9,160,680
Equity in earnings of joint ventures and other	161,965	-	161,965
Other revenue	115,618	-	115,618
Interest income	937,677	-	937,677
Net assets released from restrictions, satisfaction of program restrictions	134,668	(134,668)	-
Total revenue and support	55,428,713	(97,668)	55,331,045
Expenses:			
Program services:			
Child development	27,863,804	-	27,863,804
Community services	6,910,092	-	6,910,092
Charter high school	3,054,947	-	3,054,947
Housing and other real estate	11,373,865	-	11,373,865
Total program services	49,202,708	-	49,202,708
Supporting services:			
Management and general	5,022,363	-	5,022,363
Fundraising and development	278,010	-	278,010
Total supporting services	5,300,373	-	5,300,373
Total expenses	54,503,081	-	54,503,081
Total change in net assets	$ 925,632	$ (97,668)	$ 827,964

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	8,745,086	-	8,745,086
Equity in earnings on investment	161,961	-	161,961
Other revenue	210,259	-	210,259
Interest income	17,696	-	17,696
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 FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Activities		
	Child Development	Community Services	Charter High School	Housing and other Real Estate	Management and General	Fundraising and Development	Total
Salaries and wages	$ 10,971,305	$ 3,008,306	$ 1,521,654	$ 1,554,165	$ 2,130,315	$ 167,670	$ 19,353,415
Payroll taxes and benefits	3,761,123	892,159	469,810	527,273	500,259	34,944	6,185,568
Temporary staffing	918,291	-	-	-	83,233	1,981	1,003,505
Childcare expenses	4,289,199	-	-	-	-	-	4,289,199
Non-personnel in-kind (miscellaneous supplies)	2,262,104	28,000	-	-	-	-	2,290,104
Consultants and sub-contractors	159,939	735,102	179,493	37,037	1,094,376	25,264	2,231,211
Maintenance and repairs	278,249	165,403	72,986	1,412,026	54,578	451	1,983,693
Utilities	220,404	77,365	92,330	1,099,526	27,932	-	1,517,557
Space rental, net of sub lease rental revenue	1,121,344	171,871	6,046	107,727	20,667	-	1,427,655
Other expenses	127,245	225,554	51,404	195,620	246,877	27,436	874,136
Telephone	261,063	83,087	32,793	217,663	50,859	2,401	647,866
Janitorial and cleaning	421,867	47,157	12,665	44,713	30,858	-	557,260
Travel and transportation	509,602	215,326	73,460	45,337	235,826	13,701	1,093,252
Supplies	860,874	861,748	195,053	149,972	153,928	3,324	2,224,899
Food and nutrition	954,306	78,858	7,369	324	-	-	1,040,857
Insurance and property taxes	265,007	57,420	86,497	440,246	29,773	838	879,781
Accounting and legal	7,318	25,651	46,308	107,286	251,292	-	437,855
Special events	-	6,500	-	1,000	48,842	-	56,342
Interest	4,710	17,154	53,134	3,137,992	21,074	-	3,234,064
Depreciation and amortization	469,854	213,431	153,945	2,295,958	41,674	-	3,174,862
	$ 27,863,804	$ 6,910,092	$ 3,054,947	$ 11,373,865	$ 5,022,363	$ 278,010	$ 54,503,081

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		
	Child Development	Community Services	Charter High School	Housing and other Real Estate	Management and General	Fundraising and Development	Total
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 (miscellaneous supplies)	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 STATEMENTS OF CHANGES IN NET ASSETS

	Without Donor Restrictions					
	General	Controlling Interests in Affiliates	Total	With Donor Restrictions	Noncontrolling Interests in Affiliates	Total
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
Change in net assets	2,967,306	-	2,967,306	(97,668)	(2,041,674)	827,964
Contributions	-	-	-	-	11,100,000	11,100,000
Balance, December 31, 2019	$ 15,538,083	$ -	$ 15,538,083	$ 359,304	$ 12,182,077	$ 28,079,464

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,	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 827,964	$ (53,010)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,156,387	2,842,144
Amortization	18,475	2,067
Amortization of deferred ground lease payable	67,873	67,873
Amortization debt issuance costs	158,215	100,907
Equity in earnings of joint ventures and other	(161,965)	(161,961)
Changes in operating assets and liabilities:		
Accounts receivable	(128,469)	(426,738)
Other receivables	69,799	(9,404)
Prepaid expenses	(94,853)	142,952
Other current assets	(600,353)	(182,291)
Accounts payable and accrued expenses	(161,537)	998,723
Accrued interest payable	332,873	370,107
Deferred revenues	351,208	(1,313)
Deferred ground lease payable	60,000	60,000
Due to related parties	15,000	625
Other liabilities	437,294	(12,663)
Net cash provided by operating activities	4,347,911	3,738,018
Cash flows from investing activities:		
Expenditures for rental property, property and equipment	(27,971,021)	(8,814,552)
Net cash used in investing activities	(27,971,021)	(8,814,552)
Cash flows from financing activities:		
Expenditures for TCAC and loan costs	(37,500)	(2,000)
Expenditures for debt issuance costs	(223,872)	(1,104,483)
Proceeds from (payments of) line of credit, net	(300,000)	300,000
Payments of notes payable	(676,380)	(10,187,446)
Proceeds from notes payable	8,271,888	61,750,001
Contributions from noncontrolling interests	11,100,000	3,003,010
Net cash provided by financing activities	18,134,136	53,759,082
Net change in cash and cash equivalents and restricted cash	(5,488,974)	48,682,548
Cash and cash equivalents, and restricted cash, beginning of year	55,245,868	6,563,320
Cash and cash equivalents, and restricted cash, end of year	$ 49,756,894	$ 55,245,868

See accompanying notes to consolidated financial statements.

FOR THE YEARS ENDED DECEMBER 31,		2019		2018
Supplemental disclosure of cash flow information:				
Cash paid for interest, net of $248,419 and $0 of capitalized interest in 2019 and 2018, respectively	$	2,742,976	$	1,403,206
Cash paid for taxes	$	53,762	$	4,000
Supplemental disclosure of non-cash investing and financing activities:				
Accrued construction costs	$	5,346,424		-
Seller loan provided in connection with the acquistion of land located in National City, California	$	7,500,000		-

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 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.
- Gosnell Center - a 7,000 square foot property located in San Marcos, San Diego County, California which is used for Head Start and preschool programs.
- 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., an affiliate, 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 National City LLC – Land held in National City (the National City Project), California, to be developed into a 400 unit affordable rental housing project. Construction is expected to commence in 2021.

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 affordable housing project in the San Ysidro area of the City of San Diego, California. Construction is expected to commence in the Spring of 2021.

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

Basis of Presentation The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America 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.

Change in Accounting Principle In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018 -08"). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization determined that there were no changes to the amounts reported in the consolidated financial statements, as a result of the implementation of ASU 2018-08.

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 subsequent periods. 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, 2019 and 2018, there were donor restrictions of $359,304 and $456,972, respectively, related to private grants to the charter school.

Functional Allocation of Expenses The costs of providing MAAC's programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of functional 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.

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. These revenues are voluntary, unconditional and nonreciprocal transfer of cash or other assets.

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 also recognized as revenues when they are voluntary, unconditional, and nonreciprocal transfer of cash or other assets.

Any funds received in advance of a condition being met are recorded as a liability under deferred revenue.

Accounting for Investments in Joint Ventures Under the equity method of accounting, MAAC records its initial investment at cost and thereafter, records its portion of the 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 it's 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 2019 and 2018, no impairment losses were recognized related to its joint venture investments.

Cash, Cash Equivalents, and Restricted Cash For purposes of the consolidated statements of financial position, and consolidated statements of cash flows, cash and cash equivalents consist of cash and highly liquid unrestricted investments with an original maturity of three months or less when purchased. Restricted cash consists of tenant security deposits and the reserves discussed below. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated statements of financial position that sum to the totals of the amounts presented in the consolidated statements of cash flows:

As of December 31,	**2019**	**2018**
Cash and cash equivalents	$ 12,387,899	$ 5,404,593
Restricted cash	37,368,995	49,841,275
Cash, cash equivalents and restricted cash	$ 49,756,894	$ 55,245,868

Cash in County Treasury MAAC maintains a portion of its cash in the San Diego County Treasury as part of the common investment pool ($608,486 and $282,998 as of December 31, 2019 and 2018, respectively). The County Treasury is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse agreements. The fair value of the MAAC's investment in this pool is reported in the accompanying financial statements at amounts based upon MAAC's pro-rata share of the fair value provided by the County Treasury for the entire County Treasury portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasury, which are recorded on an amortized cost basis. Cash may be added or withdrawn from the investment pool without limitation.

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

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

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

A significant portion of MAAC's investment assets are classified within Level 1 because they comprise open end mutual funds with readily determinable fair values based on daily redemption values. MAAC invests in CDs traded in the financial markets and additionally has funds at the San Diego County Treasury which invests funds in various markets such as CDs, money market, and U.S. government obligations. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions and are classified within Level 1.

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

	2019	**2018**
Cash In County Treasury (Level 1)	$ 608,486	$ 282,998

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

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

MAAC reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property, including low income tax credits, and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, MAAC recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. For property under development, management evaluates major cost overruns, market conditions that could affect lease-up projections, intent and ability to hold the asset, and other indicators of impairment. If any indicators were to suggest impairment was present, the carrying value of the asset would be adjusted accordingly to fair value. No impairment losses were recognized in 2019 or 2018.

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 Organization maintains 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, 2019 and 2018, 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, 2019 and 2018, MAAC had one federal grant that accounted for 90% and 89%, respectively, of its public support and revenues (Schedule III). During the years ended December 31, 2019 and 2018, five programs, accounted for approximately 76% and 81%, 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.

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

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

Change in Accounting Principle Effective January 1, 2019, the Organization adopted the provisions of Accounting Standards Update 2016-18, *Statement of Cash Flows – Restricted Cash* (ASU 2016-18). Under ASU 2016-18, restricted cash and restricted cash equivalents is now included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statements of cash flows. Prior period amounts have been reclassified to conform to the current year presentation, resulting in an decrease in cash used in investing activities of $46,463,556 and decrease of $835 in cash provided by operating activities, respectively, for the year ended December 31, 2018 in the accompanying consolidated statements of cash flows.

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:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	$ 12,387,899	$ 5,404,593
Accounts receivable	3,381,463	3,252,994
Restricted cash (current and non-current)	37,368,995	49,841,275
Less: unavailable restricted cash for general expenditures due to:		
contractual lender and regulatory restrictions	(32,574,403)	(38,720,415)
Financial assets available to meet general expenditures within one year	$ 20,563,954	$ 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 facility. The amount available for borrowing as of December 31, 2019 was $1,000,000.

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:

	2019	2018
Replacement reserves	$ 3,948,072	$ 6,880,888
Operating reserves	1,848,081	1,844,577
Impounds and escrows	1,867,144	11,731,286
Tenant security deposits	458,225	334,523
Funds held by Trustee	29,247,473	29,050,001
Total restricted cash	37,368,995	49,841,275
Less: current restricted cash	(33,995,803)	(11,731,286)
Total restricted cash, net of current portion	$ 3,373,192	$ 38,109,989

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2019	2018
Weatherization and Low Income Home Energy	$ 563,737	$ 518,943
Head Start	588,196	664,594
Charter school	695,361	909,494
Childcare food program	136,639	128,493
Pre-school	426,177	275,110
Recovery homes	306,607	255,736
Residential tenant rents	21,155	9,838
Property tax refund	404,329	404,329
Other receivables	313,525	160,720
Total accounts receivable	3,455,726	3,327,257
Less: allowance for doubtful accounts	(74,263)	(74,263)
Accounts receivable, net	$ 3,381,463	$ 3,252,994

5. RENTAL PROPERTY

MAAC wholly owned real estate (MAAC Real Estate) and the Affiliates own and operate low income housing projects. Rental property consists of the following as of December 31, 2019:

	MAAC Real Estate	Affiliates	Total
Buildings and improvements	$ 39,315,592	$ 35,644,471	$ 74,960,063
Land	5,392,053	2,046,020	7,438,073
Land improvements	3,379,486	1,924,179	5,303,665
Equipment	2,593,510	3,742,414	6,335,924
Construction-in-progress (a)	16,148,588	4,439,446	20,588,034
Total rental property	66,829,229	47,796,530	114,625,759
Less: accumulated depreciation	(31,106,087)	(10,751,829)	(41,857,916)
Rental property, net	$ 35,723,142	$ 37,044,701	$ 72,767,843

(a) MAAC Real Estate construction-in-progress includes National City Project land acquired in 2019.

Rental property consists of the following as of December 31, 2018:

	MAAC Real Estate	Affiliates	Total
Buildings and improvements	$ 39,333,437	$ 22,860,915	$ 62,194,352
Land	5,392,053	2,046,020	7,438,073
Land improvements	3,356,604	1,887,211	5,243,815
Equipment	2,538,583	1,045,916	3,584,499
Construction-in-progress	-	2,370,530	2,370,530
Total rental property	50,620,677	30,210.592	80,831,269
Less: accumulated depreciation	(29,756,642)	(9,902,681)	(39,659,323)
Rental property, net	$ 20,864,035	$ 20,307,911	$ 41,171,946

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, 2019 and 2018:

	2019	2018
Buildings and improvements	$ 13,855,681	$ 12,401,960
Land	2,908,988	2,908,988
Leasehold improvements	3,348,606	3,270,306
Vehicles	1,696,276	1,651,244
Furniture and equipment	1,651,774	1,450,601
Construction-in-progress	5,765,344	520,615
Total property and equipment	29,226,669	22,203,714
Less: accumulated depreciation	(9,801,335)	(8,843,541)
Property and equipment, net	$ 19,425,334	$ 13,360,173

7. LINE OF CREDIT

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 (4.75% and 5.50% as of December 31, 2019 and 2018, respectively). As of December 31, 2019 and 2018, there was a $0 and $300,000 balance, respectively.

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, 2019 and 2018, Seniors on Broadway Limited Partnership owes $176,000 and $115,000 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, 2019 and 2018, the deferred ground lease payable was $1,461,409 and $1,333,536, 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
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)
2024	69,582	127,873	(58,291)
Thereafter	9,122,119	7,352,693	1,769,426
	$ 9,453,467	$ 7,992,058	$ 1,461,409

9. NOTES PAYABLE

Notes payable consist of the following:

	2019	2018
<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, 2019 and 2018, 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, 2019 and 2018, respectively) plus 2.25%. Any unpaid principal and interest are due and payable on April 25, 2022.	$ 2,890,907	$ 2,970,248
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 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

	2019	2018
Note payable to Impact Funding LLC, which is serviced by Pacific Life Insurance Company, secured by a first deed of trust (the Mercado Apartments) and accruing interest at 8.25% annually. Monthly payments of principal and interest of $22,641 are due, based on a 30-year amortization period with all unpaid principal and interest due in July, 2025.	1,212,298	1,376,545
Note payable to Bank of America Community Development Bank, secured by a second deed of trust (the Mercado Apartments). The note does not bear interest and no payments are due unless Mercado Apartments, L.P. is not in compliance with the terms of the deed of trust.	920,000	920,000
Note payable to the City of San Diego, secured by a third deed of trust (the Mercado Apartments). The note accrues simple interest at 6.00% annually and all principal and any unpaid interest are due and payable in December, 2047.	1,425,000	1,425,000
Note payable to the City of San Diego, secured by a fourth deed of trust (the Mercado Apartments). The note accrues simple interest at 6.00% annually. The principal and any unpaid interest are due and payable in December, 2047.	1,998,440	1,998,440
Note payable to Pacific Life secured by a Carlsbad Laurel Tree Apartments first deed of trust, monthly installments of principal and interest of $29,427, accrues interest at 6.83%, and all unpaid principal and interest are due October 1, 2030.	2,698,001	2,860,763
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%.	2,081,355	2,124,349

	2019	2018
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 (San Martin). 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.	1,455,763	1,517,659
Note payable to the County of San Diego, Department of Housing and Community Development, secured by a deed of trust (San Martin). The note accrues simple interest at 3.00% beginning on the date of initial occupancy of the housing units. Payments to be made on an annual basis from Residual Receipts, as defined, and all principal and unpaid interest are due on November 2, 2054.	1,181,164	1,181,164
Note payable to California Bank & Trust dated August 1, 2018 in the amount of $3,250,000, secured by a deed of trust (Vale Terrace). Interest accrues at 6.22% and monthly payments of principal and interest shall be paid on the first day of each month. Unpaid principal and interest are due August 1, 2033.	3,078,183	3,214,796
Note Payable to Raza Dev Fund, Inc. in the amount up to $10,000,000, secured by a deed of trust (the National City Project), guaranteed by MAAC and accruing interest at 6.00%. All unpaid principal and accrued interest are due in November, 2021.	8,271,888	-
Seller Note Payable to 233 Roosevelt, LLC in the amount of $7,500,000, secured by a deed of trust (the National City Project), interest at 5.00% with interest payable semi-annually on March 31 and September 30. The note matures the earlier to occur of (i) Tax Credit and Bond Closing (estimated to occur in 2021) or (ii) sale of the National City Project.	7,500,000	-
Total MAAC and MAAC Real Estate	37,142,586	22,018,551
<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.	181,117	186,441
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.	811,510	834,713

	2019	2018
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	29,000,000
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	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	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	800,000

	2019	2018
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 September 2020.	1,950,000	1,950,000
Total Affiliates	63,343,161	63,371,688
Total notes payable	100,485,747	85,390,239
Less: current portion	(31,720,952)	(2,629,836)
Less: debt issuance costs	(1,229,562)	(1,163,905)
Total notes payable, net of current portion	$ 67,535,233	$ 81,596,498

Future principal payments of notes payable as of December 31, 2019 are due as follows:

Year Ending December 31,	MAAC	Affiliates	Total
2020	$ 691,480	$ 31,029,472	$ 31,720,952
2021	16,499,332	299,865	16,799,197
2022	5,286,962	1,140,728	6,427,690
2023	698,478	358,739	1,057,217
2024	752,161	377,572	1,129,733
Thereafter	13,214,173	30,136,785	43,350,958
	$ 37,142,586	$ 63,343,161	$ 100,485,747

For the years ended December 31, 2019 and 2018, the Organization incurred interest expense of $3,234,064 and $1,851,023, respectively. Amortization of the debt issuance costs of $158,215 and $100,907 has been included in interest expense for 2019 and 2018, respectively.

10. OPERATING LEASES

MAAC occupies facilities and leases vehicles and equipment under operating lease agreements which expire through October 2023. Rent expense was $2,088,700 and $1,978,871 for the years ended December 31, 2019 and 2018, respectively. Future minimum payments under non-cancelable operating leases as of December 31, 2019 are as follows:

Year Ending December 31,	Amount
2019	$ 915,350
2020	$ 439,325
2021	$ 271,491
2022	$ 117,753
2023	$ 108,107
Thereafter	$ 33,475

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, 2019 and 2018, 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 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 2019 and 2018, the Partnership was charged an Asset Management Fee of $15,000 and $625, respectively and as of December 31, 2019 and 2018, $15,625 and $625, respectively, remains unpaid.

Castellan Real Estate Partners During 2019, MAAC National City LLC, a California limited liability company controlled by MAAC, acquired the National City Project from an entity controlled by Castellan Real Estate Partners (CRE) for $16,000,000, to develop up to 400 affordable housing units in National City, California. In addition, during 2019, MAAC entered into a partnership agreement and two memorandums of understanding with CRE to develop approximately 260 affordable housing units in the City of Imperial, Heber and San Diego, California.

14. ACQUISITION AND SALE OF NON-CONTROLLING PARTNERSHIP INTERESTS

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, 2019 and 2018, total unpaid developer fees were $17,945 and $17,945, respectively.

The Comm 22 LLCs received approximately $18,000,000 in grant funds that were used for infrastructure to develop the affordable housing projects. MAAC determined that the grant revenue received by the Comm 22 Partnerships should be deferred and recognized over the life of the infrastructure (20 years). During 2019 and 2018, MAAC recognized $162,079 in grant revenue and losses of $113 and $118, respectively, in its share of Comm 22 LLCs' net loss. As of December 31, 2019 and 2018, MAAC has an investment balance of $702,104 and $540,138, respectively, in the Comm 22 LLCs.

16. CASUALTY LOSS

In December 2018, the MAAC Community Center suffered water damage as result of flooding from a storm. The Organization 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. As of December 31, 2019 and 2018, approximately $0 and $30,000, respectively, has been recorded as a receivable from the insurance company and approximately $0 and $392,000, respectively, 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 the date of the independent auditor's report, which is the date that the consolidated financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements, except as discussed in Note 1 and below.

Effects of the Coronavirus Outbreak As a result of the COVID-19 outbreak in early 2020, the economic environment in which the Organization operates has been significantly disrupted. The Organization's management continues to gather information and respond to these events. As of the independent auditor's report date, the ultimate impact of COVID-19 is unknown.

Paycheck Protection Program (PPP) In March 2020, the United States Government issued the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) that included over $600 million for potentially forgivable loans to support eligible businesses impacted by COVID-19 through the

Paycheck Protection Program (PPP). In May, 2020, the Organization requested and received PPP funds of $3.5 million. As of the independent auditor's report date, the Organization's management has not completed their determination regarding the ultimate use and the resultant accounting impact of the PPP funds received.

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	2019 Consolidated Balance	2018 Consolidated Balance
Assets								
Current assets:								
Cash and cash equivalents	$ 10,031,520	$ 2,275,888	$ -	$ 12,307,408	$ 80,491	$ -	$ 12,387,899	$ 5,404,593
Accounts receivable, net of allowance for doubtful accounts of $74,263 and $74,263	14,602,371	4,601,001	(6,466,247)	12,737,125	-	(9,355,662)	3,381,463	3,252,994
Other receivables	570,456	-	-	570,456	-	(552,511)	17,945	87,744
Restricted cash	-	1,000,000	-	1,000,000	32,995,803	-	33,995,803	11,731,286
Prepaid expenses	491,312	108,772	-	600,084	-	-	600,084	505,231
Other current assets	181,496	-	-	181,496	-	-	181,496	140,006
Total current assets	25,877,155	7,985,661	(6,466,247)	27,396,569	33,076,294	(9,908,173)	50,564,690	21,121,854
Other assets:								
Rental property, net of accumulated depreciation	-	35,723,142	-	35,723,142	45,501,233	(8,456,532)	72,767,843	41,171,946
Property and equipment, net of accumulated depreciation	12,624,355	6,800,979	-	19,425,334	-	-	19,425,334	13,360,173
Investment in joint ventures and other entities	327,972	-	(38,004,089)	(37,676,117)	-	38,378,221	702,104	540,138
Other long-term receivables	62,774	25,577,132	-	25,639,906	-	(25,577,132)	62,774	62,774
Restricted cash	-	2,801,027	-	2,801,027	572,165	-	3,373,192	38,109,989
Deferred costs, net	-	-	-	-	166,274	-	166,274	25,479
Deposits and other assets	288,011	245,176		533,187	450,354	-	983,541	424,679
Total assets	$ 39,180,267	$ 79,133,117	$ (44,470,336)	$ 73,843,048	$ 79,766,320	$ (5,563,616)	$ 148,045,752	$ 114,817,032
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued expenses	$ 5,231,393	$ 954,857	$ (509,533)	$ 5,676,717	$ 4,847,955	$ (203,748)	$ 10,320,924	$ 5,014,267
Lines of credit	-	-	-	-	-	-	-	300,000
Current portion of accrued interest payable	16,487	148,806	-	165,293	177,663	-	342,956	1,433,377
Current portion of notes payable	144,931	546,549	-	691,480	31,029,472	-	31,720,952	2,629,836
Deferred revenues	449,910	67,062	-	516,972	-	-	516,972	165,764
Total current liabilities	5,842,721	1,717,274	(509,533)	7,050,462	36,055,090	(203,748)	42,901,804	9,543,244
Deferred ground lease payable	-	-	-	-	1,461,409	-	1,461,409	1,333,536
Accrued interest payable, net of current portion	-	5,672,600	-	5,672,600	2,341,630	(876,756)	7,137,474	5,714,180
Notes payable, net of current portion and unamortized debt issuance costs	2,869,262	33,377,056	-	36,246,318	56,866,047	(25,577,132)	67,535,233	81,596,498
Due to related parties	3,374,479	2,582,234	(5,956,713)	-	8,999,138	(8,983,513)	15,625	625
Other liabilities	442,017	233,561	-	675,578	239,165	-	914,743	477,449
Total liabilities	12,528,479	43,582,725	(6,466,246)	49,644,958	105,962,479	(35,641,149)	119,966,288	98,665,532

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	2019 Consolidated Balance	2018 Consolidated Balance
Net assets:								
Without donor restrictions:								
General	26,292,484	35,550,392	(38,004,090)	23,838,786	-	(8,300,703)	15,538,083	12,570,777
Controlling interest in Affiliates	-	-	-	-	(38,378,236)	38,378,236	-	-
With donor restrictions	359,304	-	-	359,304	-	-	359,304	456,972
Noncontrolling interest in Affiliates	-	-	-	-	12,182,077	-	12,182,077	3,123,751
Total net assets	26,651,788	35,550,392	(38,004,090)	24,198,090	(26,196,159)	30,077,533	28,079,464	16,151,500
Total liabilities and net assets (deficit)	$ 39,180,267	$ 79,133,117	$ (44,470,336)	$ 73,843,048	$ 79,766,320	$ (5,563,616)	$ 148,045,752	$ 114,817,032

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

SCHEDULE II

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF ACTIVITIES

	MAAC	MAAC Real Estate	Eliminations	Sub-Total	Affiliates	Eliminations	2019 Consolidated Balance	2018 Consolidated Balance
Revenue and support:								
Contract revenue	$ 35,487,026	$ -	$ -	$ 35,487,026	$ -	$ -	$ 35,487,026	$ 29,811,044
Contributions	172,685	-	-	172,685	-	-	172,685	599,210
Program service fees	1,741,673	-	-	1,741,673	-	-	1,741,673	1,874,538
Contractual services	9,004,581	-	(1,719,288)	7,285,293	-	(3,128,863)	4,156,430	3,616,130
Charter school apportionments	3,397,291	-	-	3,397,291	-	-	3,397,291	3,533,049
Rents and tenants fees - real estate	171,729	5,887,205	(806,054)	5,252,880	3,907,800	-	9,160,680	8,745,086
Equity in earnings of joint ventures and other	1,031,039	-	(846,966)	184,073	-	(22,108)	161,965	161,961
Other revenue	10,053	125,711	(20,146)	115,618	-	-	115,618	210,259
Interest income	118,185	855,398	-	973,583	810,697	(846,603)	937,677	17,696
Total revenue and support	51,134,262	6,868,314	(3,392,454)	54,610,122	4,718,497	(3,997,574)	55,331,045	48,568,973
Expenses:								
Program services:								
Child development	28,012,982	-	(149,178)	27,863,804	-	-	27,863,804	25,791,239
Community services	7,093,809	-	(183,717)	6,910,092	-	-	6,910,092	5,679,054
Charter high school	3,404,397	-	(349,450)	3,054,947	-	-	3,054,947	2,937,935
Housing and other real estate	2,356,948	6,490,020	(2,317,335)	6,529,633	6,738,252	(1,894,020)	11,373,865	9,962,316
Total program services	40,868,136	6,490,020	(2,999,680)	44,358,476	6,738,252	(1,894,020)	49,202,708	44,370,544
Supporting services:								
Management and general	5,139,342	-	(116,979)	5,022,363	-	-	5,022,363	4,010,502
Fundraising and development	284,740	-	(6,730)	278,010	-	-	278,010	240,937
Total supporting services	5,424,082	-	(123,709)	5,300,373	-	-	5,300,373	4,251,439
Total expenses	46,292,218	6,490,020	(3,123,389)	49,658,849	6,738,252	(1,894,020)	54,503,081	48,621,983
Total change in net assets	$ 4,842,044	$ 378,294	$ (269,065)	$ 4,951,273	$ (2,019,755)	$ (2,103,554)	$ 827,964	$ (53,010)

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, 2019

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 913305	$ 3,858,701	$ -
Head Start/Early Head Start	93.600	09CH01074601	21,766,979	-
EHS CCP	93.600	09HP001702	649,742	-
EHS CCP	93.600	09HP000184-01-00	629,589	-
EHS CCP	93.600	09HP000130-01-00	1,000,155	-
Pass-through the State of California Department of Community Services and Development - Low Income Home Energy Assistance Program				
LIHEAP 2019 Weatherization	93.568	19B-5031	643,869	-
LIHEAP 2019 ECIP, HEAP & Assurance 16	93.568	19B-5031	1,095,165	-
Pass-through County of San Diego Health and Human Services Drug and Alcohol Programs				
Nosotros & Casa de Milagros	93.959	553460	209,476	-
			29,853,676	-
US Department of Energy				
Pass-through the State of California Department of Community Services and Development				
Weatherization	81.042	17C-4022	228,348	-
U.S. Department of Agriculture				
Pass-through California Department of Education				
Child and Adult Care Food Program	10.558	37-1807-OJ	813,839	-
Corporation for National and Community Service				
Pass-through Local Initiatives Support Corporation				
Social Innovations Fund	94.019	40786-0050	8,226	-
			8,226	-
Total expenditures of federal awards			$ 30,904,089	$ -

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, 2019. 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, 2019.

2. AMOUNTS PROVIDED TO SUBRECIPIENTS

MAAC did not provide grant funds to subrecipients during 2019.

METROPOLITAN AREA ADVISORY COMMITTEE ON ANTI-POVERTY OF SAN DIEGO COUNTY, INC
SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURES (SSRE)
CSD CONTRACT NO. 18B-4031 (WX)
FOR THE PERIOD JANUARY 1, 2018 THROUGH DECEMBER 31, 2019
- LIHEAP Contracts -

REVENUE	**1-Jan-18 through 31-Dec-18**	**Total Audited Costs**	**Total Reported Expenses**	**Total Budget**
Grant Revenue	$ 564,429	$ 564,429	$ -	$ 564,429
Interest Income	-	-	-	-
Total Revenue:	564,429	564,429	-	564,429
EXPENDITURES				
Weatherization Program Costs				
Intake	8,674	8,674	8,674	45,154
Outreach	5,794	5,794	5,794	28,221
Training & Technical Assistance	7,587	7,587	7,587	28,221
Weatherization Program Costs Total	22,055	22,055	22,055	101,596
Weatherization Program Activities And Program Costs				
Wx Program Activities and Program Costs	542,374	542,374	542,374	462,833
Weatherization Program Activities And Program Costs Total	542,374	542,374	542,374	462,833
Total Expenses:	**$ 564,429**	**$ 564,429**	**$ 564,429**	**$ 564,429**

METROPOLITAN AREA ADVISORY COMMITTEE ON ANTI-POVERTY OF SAN DIEGO COUNTY, INC.
SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURES (SSRE)
CSD CONTRACT NO. 18B-4031 (EHA-16)
FOR THE PERIOD JANUARY 1, 2018 THROUGH DECEMBER 31, 2019
- LIHEAP Contracts -

REVENUE	1-Jan-18 through 31-Dec-18	Total Audited Costs	Total Reported Expenses	Total Budget
Grant Revenue	$ 832,257	$ 832,257	$ -	$ 832,257
Interest Income	-	-	-	-
Total Revenue:	832,257	832,257	-	832,257
EXPENDITURES				
Assurance 16 Costs				
Assurance 16 Activities	101,776	101,776	101,776	133,691
Administrative Costs				
Administrative Costs	123,560	123,560	123,560	133,691
A-16/Administration Costs Total :	225,336	225,336	225,336	267,382
Program Costs ECIP HEAP				
Intake	80,332	80,332	80,332	136,168
Outreach	49,627	49,627	49,627	85,105
Training & Technical Assistance	8,998	8,998	8,998	34,042
Total Program Costs (ECIP & HEAP)	138,957	138,957	138,957	255,315
Program services and program costs				
Program services and program costs total	467,964	467,964	467,964	309,560
Total Expenses:	$ **832,257**	$ **832,257**	$ **832,257**	$ **832,257**

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, 2019, 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 August 17, 2020.

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
August 17, 2020

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, 2019. 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, 2019.

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
August 17, 2020

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:	$927,123	
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