

AVENIDA GUADALUPE
ASSOCIATION



AUDITED FINANCIAL STATEMENTS

YEARS ENDED
SEPTEMBER 30, 2016 AND 2015

AVENIDA GUADALUPE ASSOCIATION
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September 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Avenida Guadalupe Association

Report on the Financial Statements

I have audited the accompanying financial statements of Avenida Guadalupe Association (a non-profit organization), which comprise the statements of financial position as of September 30, 2016 and 2015; and the related statements of activities, functional expenses and cash flows for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avenida Guadalupe Association as of September 30, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



R. D. Harrison, CPA
San Antonio, Texas
December 9, 2016

AVENIDA GUADALUPE ASSOCIATION
Statement of Financial Position
September 30, 2016 and 2015

	September 30,	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 259,134.	\$ 162,977.
Grants	22,673.	20,753.
Due from affiliates	77,708.	66,423.
Prepaid Expenses	22,557.	36,209.
Notes Receivable – First Time Homebuyers	69,633.	84,023.
Investments	75,000.	75,000.
Restricted Cash	168,791.	249,063.
Fixed Assets		
Buildings	11,386,887.	11,335,063.
Equipment and Furniture	320,721.	316,401.
Less: Accumulated Depreciation	<u>(6,175,743)</u>	<u>(5,760,192)</u>
	<u>5,531,865.</u>	<u>5,891,272.</u>
TOTAL ASSETS	<u>\$ 6,227,361.</u>	<u>\$ 6,585,720.</u>
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 70,509.	\$ 77,005.
Rent Deposits Payable	56,032.	66,248.
Note Payable	<u>917,323.</u>	<u>940,743.</u>
TOTAL LIABILITIES	1,043,864.	1,083,996.
NET ASSETS		
Unrestricted	253,305.	155,981.
Temporarily Restricted	214,921.	214,921.
Permanently Restricted:		
Invested in Fixed Assets	4,695,271.	5,110,822.
Endowed Funds	<u>20,000.</u>	<u>20,000.</u>
TOTAL NET ASSETS	<u>5,183,497.</u>	<u>5,501,724.</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,227,361.</u>	<u>\$ 6,585,720.</u>

See notes to financial statements.

AVENIDA GUADALUPE ASSOCIATION
Statement of Activities
Year ended September 30, 2016 and 2015

	Years ended September 30,	
	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
Support:		
Government Grants - Federal	\$ -	\$ 61,228.
Government Grants – City of San Antonio	151,904.	159,597.
Contributions and Grants	42,366.	88,380.
Rent (including government subsidy: \$54,099 in 2015 and \$40,637 in 2016)	823,061.	734,390.
Management Fees	98,071.	97,034.
Interest and Investment Income	<u>739.</u>	<u>645.</u>
	1,116,141.	1,141,274.
Expenses:		
Program Expenses	895,066.	1,129,246.
General and Administrative	102,794.	86,123.
Fundraising	<u>20,957.</u>	<u>13,822.</u>
	<u>1,018,817.</u>	<u>1,229,191.</u>
 INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	 97,324.	 (87,917)
TEMPORARILY RESTRICTED NET ASSETS		
None		
PERMANENTLY RESTRICTED NET ASSETS		
Contributions and Grants	-	179,300.
Depreciation	<u>(415,551)</u>	<u>(357,553)</u>
 DECREASE IN PERMANENTLY RESTRICTED NET ASSETS	 <u>(415,551)</u>	 <u>(178,253)</u>
 DECREASE IN NET ASSETS	 (318,227)	 (266,170)
Net Assets at Beginning of Year	<u>5,501,724.</u>	<u>5,767,894.</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 5,183,497.</u>	 <u>\$ 5,501,724.</u>

See notes to financial statements.

AVENIDA GUADALUPE ASSOCIATION
Statement of Functional Expenses
Year Ended September 30, 2016 and 2015

	Community and Commerce	Culture	Property Management	Program Expense Total	General and Administrative	Fundraising	2016 Totals	2015 Totals
Advertising/Promotion	\$ -	\$ 783.	\$ 6,282.	\$ 7,065.	\$ 6,750.	\$ -	\$ 13,815.	\$ 13,002.
Consulting/Prof. Fees	-	6,100.	41,628.	47,728.	34,236.	-	81,964.	170,259.
Communications	-	-	22,936.	22,936.	1,841.	-	24,777.	24,500.
Dues/Fees/Licenses/ Training	-	8,245.	11,139.	19,384.	1,117.	-	20,501.	36,652.
Insurance	-	1,284.	56,198.	57,482.	2,596.	-	60,078.	61,557.
Maintenance	-	-	123,278.	123,278.	-	-	123,278.	135,817.
Postage/Printing	-	-	4,133.	4,133.	5,641.	-	9,774.	17,206.
Security	-	-	20,369.	20,369.	-	-	20,369.	27,238.
Supplies	-	5,033.	10,708.	15,741.	4,718.	-	20,459.	44,292.
Utilities	-	-	105,397.	105,397.	-	-	105,397.	86,563.
Interest	-	-	46,960.	46,960.	-	-	46,960.	59,523.
Property Taxes	-	-	43,886.	43,886.	-	-	43,886.	43,602.
Compensation/Benefits	<u>38,948.</u>	<u>31,561</u>	<u>310,198.</u>	<u>380,707.</u>	<u>45,895.</u>	<u>20,957.</u>	<u>447,559.</u>	<u>508,980.</u>
September 30, 2016	<u>\$ 38,948.</u>	<u>\$ 53,006.</u>	<u>\$ 803,112.</u>	<u>\$ 895,066.</u>	<u>\$ 102,794.</u>	<u>\$ 20,957.</u>	<u>\$ 1,018,817.</u>	<u>\$ 1,229,191.</u>
2016 Revenues	<u>\$ 20,000.</u>	<u>\$ 28,864.</u>	<u>\$ 1,063,132.</u>	<u>\$ 1,111,996.</u>	<u>\$ 4,145.</u>	<u>\$ -</u>	<u>\$ 1,116,141.</u>	<u>\$ 1,141,274.</u>
September 30, 2015	<u>\$ 131,852.</u>	<u>\$ 66,466.</u>	<u>\$ 930,928.</u>	<u>\$ 1,129,246.</u>	<u>\$ 86,123.</u>	<u>\$ 13,822.</u>	<u>\$ 1,229,191.</u>	
2015 Revenues	<u>\$ 52,789.</u>	<u>\$ 45,395.</u>	<u>\$ 1,035,426.</u>	<u>\$ 1,133,610.</u>	<u>\$ 7,664.</u>	<u>\$ -</u>	<u>\$ 1,141,274.</u>	

See notes to financial statements.

AVENIDA GUADALUPE ASSOCIATION
Statement of Cash Flows
Year Ended September 30, 2016 and 2015

	Year ended September 30,	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (318,227)	\$ (266,170)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	415,551.	357,553.
Interest funded by loan	-	36,898.
Permanently restricted contributions	-	(179,300)
Change in operating assets:		
Receivables, (increase) decrease	(13,205)	90,355.
Prepaid expenses, (increase) decrease	13,652.	2,997.
Accounts payable, increase (decrease)	(6,496)	19,822.
Rent deposits, increase (decrease)	<u>(10,216)</u>	<u>5,479.</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	81,059.	67,634.
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in notes receivable	14,390.	4,870.
(Increase) in fixed assets	<u>(56,144)</u>	<u>(291,219)</u>
NET CASH USED BY INVESTING ACTIVITIES	(41,754)	(286,349)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	-	61,584.
Mortgage payments	(23,420)	(19,257)
Permanently restricted contributions	<u>-</u>	<u>179,300.</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(23,420)</u>	<u>221,627.</u>
 NET INCREASE IN CASH	 15,885.	 2,912.
 CASH AT BEGINNING OF YEAR	 <u>412,040.</u>	 <u>409,128.</u>
CASH AT END OF YEAR	<u>\$ 427,925.</u>	<u>\$ 412,040.</u>

See notes to financial statements.

AVENIDA GUADALUPE ASSOCIATION
Notes to Financial Statements
September 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Avenida Guadalupe Association (AGA) is a tax-exempt neighborhood based corporation pursuant to § 501c(3) of the Internal Revenue Code. It was incorporated on December 11, 1979, to assist in the revitalization and attraction of neighborhood businesses to improve economic conditions and living standards of residents and merchants in the Avenida Guadalupe Project area. The financial statements of Avenida Guadalupe Association are prepared in conformity with Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations.

Activities of the Association are as follows:

Land Acquisition and Development

The Association is partially funded by the City of San Antonio (City) for the administration of the organization's land acquisition and development activities, including the relocation, demolition and disposition of vacant and developable land parcels. The Association operates as an "agent" for the City of San Antonio whereby it identifies blighted and problem properties for the purpose of developing projects to promote physical revitalization and community development. The acquisition and renovation of properties are administered by the City of San Antonio and as such, the Association does not receive or disburse funds relating to these activities.

Plaza Guadalupe

The Association manages the Plaza Guadalupe (a public open park owned by the City of San Antonio) constructed in 1984 primarily with funds from the U.S. Department of Commerce, Economic Development Administration and Community Development Block Grant (CDBG). The Plaza Guadalupe is available for public use on a rental fee basis.

El Parian

The Association constructed an 18,000 square foot marketplace (El Parian) which was completed during 1991. The construction was financed with grants from the U.S. Department of Commerce, the U.S. Department of Health and Human Services, the City of San Antonio CDBG funds and the City of San Antonio general fund.

San Jacinto

The Association constructed of a 50-unit elderly housing project for the economically disadvantaged, which was completed in July, 1996. The construction was financed with a HOME Program Grant and private contributions.

Artist Studios

The Association manages three office bungalows totaling 2,500 rentable square feet, owned by the City of San Antonio.

AVENIDA GUADALUPE ASSOCIATION
Notes to Financial Statements
September 30, 2016 and 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

El Progreso

The Association manages the 5,600 square foot El Progreso Community Center (a public meeting room owned by the City of San Antonio) rehabilitated in 1996 primarily with funds from a Community Development Block Grant. The room is available for public use on a rental fee basis.

Las Oficinas

The Association constructed a 12,000 square foot community office building which was completed in 2003. The construction was financed by a Community Development Block Grant and private contributions.

1310 Guadalupe – Heroes

The Association rehabilitated the former “Pink Building” in 2013 with a grant from the City of San Antonio. The rehabilitated structure provides 1,700 square feet of commercial rental space.

1314 Guadalupe - Promesa

The Association, as part of the Promesa Project, completed construction in 2014 of a two story, 15,600 square foot Class A professional office building. The construction was funded by grants from the Department of Health and Human Services, the Department of Commerce – Economic Development Administration, a Community Development Block Grant from the City of San Antonio, and a loan provided by the National Council of La Raza.

Community and Commerce

The Association offers numerous programs and services within this category. In terms of Community, the Association offers Neighborhood Services to include: Community Empowerment, Advocacy, and Engagement activities to local tenants and residents within the Avenida Guadalupe Neighborhood area. In the area of Commerce, the Association offers three programs: Ready 2 Work, Ready 2 Learn, and Ready 2 Own programs that offer services in the areas of Workforce Development, Housing Counseling, and Computer Training classes. Additional services are provided to local businesses who serve as tenants of the Association in ways that help promote their business, assist in developing sustainability, and promote future growth.

Culture

The Association is involved in offering culturally significant events that educate and provide the community with opportunities to experience traditional Mexican holidays such as the Cinco de Mayo, the 16 de Septiembre, and the Holiday Lighting. Additional events with cultural appropriateness are always considered for implementation.

AVENIDA GUADALUPE ASSOCIATION
Notes to Financial Statements
September 30, 2016 and 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Management

The Association is currently involved in managing its own Commercial, Venue and Senior Community properties. Commercial property management of City of San Antonio properties is combined with property management of Association-owned properties. Venue management includes offering three venues as rentable properties to the community: Plaza Guadalupe, El Progreso Hall, and the Heroes Stage. The Senior Community properties management consists of oversight of two HUD 202 Capital Advance Program properties (Charles Gonzalez & Ernest Olivares) and the San Jacinto Senior Community.

Fixed Assets and Depreciation

Donated assets are reported at fair market value at time of acquisition. Depreciation of buildings and equipment and office furniture is provided over the estimated useful lives of the applicable assets on a straight-line basis. Depreciation of assets constructed with contributed capital, which is now permanently restricted net assets, is recorded as a reduction of permanently restricted net assets.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Income Taxes

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Date of Management Review

Subsequent events have been evaluated through December 9, 2016, which is the date the financial statements were available to be issued.

AVENIDA GUADALUPE ASSOCIATION
Notes to Financial Statements
September 30, 2016 and 2015

NOTE B – INVESTMENTS

At September 30, 2016 and 2015 the Association held the investments:

	<u>2016</u>	<u>2015</u>
Investment in Avenida Guadalupe Development, Inc.	\$ 10,000.	\$ 10,000.
Investment in Avenida Guadalupe Zarzamora Senior Home, Inc.	10,000.	10,000.
Five lots held for future housing construction	<u>55,000.</u>	<u>55,000.</u>
	<u>\$ 75,000.</u>	<u>\$ 75,000.</u>

NOTE C - CASH IN BANKS

The Association maintains its funds in four separate federally insured depository institutions.

Restricted cash was comprised of the following amounts at September 30, 2016:

First time homebuyer - HOME Program	\$ 70,288.
Rent deposits	56,032.
Endowment funds	20,000.
Replacement reserve	<u>22,471.</u>
	<u>\$ 168,791.</u>

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2016 consisted of the following:

First-time homebuyer – HOME Program	\$ 139,921.
Real estate held for development	55,000.
Investment in affiliates	<u>20,000.</u>
	<u>\$ 214,921.</u>

AVENIDA GUADALUPE ASSOCIATION
Notes to Financial Statements
September 30, 2016 and 2015

NOTE E – FIXED ASSETS

A summary of fixed assets by function as of September 30, 2016 is presented as follows:

	<u>Cost</u>	<u>Accum. Dep.</u>	<u>Life</u>	<u>Method</u>
Office equipment & furniture	\$ <u>150,912.</u>	\$ <u>133,869.</u>	5 yrs	S/L
<u>Plaza Guadalupe</u> Improvements	\$ <u>373,221.</u>	\$ <u>208,114.</u>	10 yrs	S/L
<u>El Progreso</u> Improvements	\$ 33,408.	\$ 18,384.	10 yrs	S/L
Equipment & furniture	<u>6,433.</u>	<u>6,433.</u>	5 yrs	S/L
	<u>\$ 39,841.</u>	<u>\$ 24,817.</u>		
<u>El Parian</u> Building	\$ 2,192,066.	\$ 1,783,351.	20 yrs	S/L
Equipment & furniture	<u>25,086.</u>	<u>25,086.</u>	5 yrs	S/L
	<u>\$ 2,217,152.</u>	<u>\$ 1,808,437.</u>		
<u>Las Oficinas</u> Building	\$ 1,778,012.	\$ 1,302,759.	20 yrs	S/L
Equipment & furniture	<u>26,994.</u>	<u>26,994.</u>	5 yrs	S/L
	<u>\$ 1,805,006.</u>	<u>\$ 1,329,753.</u>		
<u>San Jacinto</u> Building	\$ 2,465,247.	\$ 2,399,041.	20 yrs	S/L
Equipment & furniture	<u>62,685.</u>	<u>62,685.</u>	5 yrs	S/L
	<u>\$ 2,527,932.</u>	<u>\$ 2,461,726.</u>		
<u>1312 Guadalupe - Heroes</u> Building	\$ <u>686,850.</u>	\$ <u>68,581.</u>	40 yrs	S/L
<u>1314 Guadalupe - Promesa</u> Building	\$ 3,858,083.	\$ 114,407.	40 yrs	S/L
Equipment and furniture	<u>48,611.</u>	<u>26,039.</u>	5 yrs	S/L
	<u>\$ 3,906,694.</u>	<u>\$ 140,446.</u>		

Total depreciation expense for the years ended September 30, 2016 and 2015 was \$415,551 and \$357,553 respectively.

AVENIDA GUADALUPE ASSOCIATION
Notes to Financial Statements
September 30, 2016 and 2015

NOTE F - COMMITMENTS AND CONTINGENCIES

The Association is funded by various federal and the City of San Antonio grant programs which are governed by various rules and regulations of the grantor agencies. Expenses charged to the grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Association has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been made in the accompanying financial statements for such contingencies.

The City of San Antonio has the fiduciary responsibility for all aspects of the Community Development Block Grants for land acquisition. The Association does not receive these funds directly but identifies projects to be developed by the City of San Antonio on behalf of the Association.

The City of San Antonio's fiduciary responsibility encompasses all financial and compliance aspects of administering these grant funds which include the approval and payment of all expenses, ensuring compliance with federal laws and regulations, and the preparation and submission of all required reports to granting agencies.

NOTE G – FISCAL YEAR 2016 DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT AND DEPARTMENT OF COMMUNITY INITIATIVES

The Association met the terms and conditions as stated in the contract between it and the City of San Antonio, and has forwarded all necessary information to the City of San Antonio. No evidence of non-compliance with the programmatic requirements was obtained that would suggest that conditions of non-compliance existed during the period under audit. The operating properties are managed internally and are currently operating with positive cash flow. Replacement reserves are maintained and deposits are made monthly.

NOTE H – NOTE PAYABLE

The Association has a \$960,000 mortgage loan from the Raza Development Fund dated March 1, 2015, secured by the Promesa Building, and due March 1, 2022. At September 30, 2016, \$917,323 was outstanding. Payments of \$6,604 including interest at 5.5% are due and payable monthly. Future principal maturities are as follows:

2017	\$	28,000.
2018		34,000.
2019		42,000.
2020		50,000.
2021		60,000.
Thereafter		<u>703,323.</u>
	\$	<u>917,323.</u>