

**AVENIDA GUADALUPE
ASSOCIATION**

**AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 and 2018**

Avenida Guadalupe Association

Audited Financial Statements

September 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Avenida Guadalupe Association
San Antonio, Texas

I have audited the accompanying financial statements of Avenida Guadalupe Association, Inc. (a non-profit organization) which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, 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 audit. I conducted my audit 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 of 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Avenida Guadalupe Association as of September 30, 2018, were audited by other auditors whose report dated January 22, 2019, expressed an unmodified opinion on those statements.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on page 6 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



San Antonio, Texas
January 27, 2020

Avenida Guadalupe Association
Statements of Financial Position
September 30, 2019 and 2018

	<u>2019</u>	(Restated) <u>2018</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 278,018	\$ 183,151
Grant Receivable - City of San Antonio	37,793	40,757
Rent Receivable	5,188	25,292
Due from Affiliates	50,165	72,950
Event Receivable	7,254	-
Prepaid Expenses	14,904	8,804
Notes Receivable - First Time Homebuyers, less allowance for doubtful accounts in the amount of \$21,268 for 2019 and \$0 for 2018.	<u>21,268</u>	<u>52,834</u>
Total Current Assets	<u>414,590</u>	<u>383,788</u>
Fixed Assets:		
Buildings and Improvements	11,485,233	11,454,172
Equipment and Furniture	388,629	378,885
Less: Accumulated Depreciation	<u>(7,141,958)</u>	<u>(6,841,707)</u>
	4,731,904	4,991,350
Other Assets:		
Investments	95,378	55,993
Restricted Assets:		
Cash and Cash Equivalents - Restricted and Designated	<u>339,095</u>	<u>361,521</u>
Total Assets	<u>\$ 5,580,967</u>	<u>\$ 5,792,652</u>
Liabilities:		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 90,838	\$ 95,427
Rent Deposits Payable	68,878	66,914
Current Maturities of Long-Term Debt	<u>35,616</u>	<u>32,000</u>
Total Current Liabilities	<u>195,332</u>	<u>194,341</u>
Long Term Liabilities:		
Long-Term Debt - Less Current Maturities	771,717	803,169
Line of Credit	<u>99,894</u>	<u>-</u>
Total Long Term Liabilities	<u>871,611</u>	<u>803,169</u>
Total Liabilities	<u>1,066,943</u>	<u>997,510</u>
Net Assets:		
Net Assets Without Donor Restrictions		
Undesignated	319,810	305,636
Board Designated - Future Reserves	20,000	20,000
Board Designated - Real Estate Lots	102,194	147,472
Designated For Net Property and Equipment, Net of Debt	<u>3,924,571</u>	<u>4,156,181</u>
Total Net Assets Without Donor Restrictions	<u>4,366,575</u>	<u>4,629,289</u>
With Donor Restrictions	<u>147,449</u>	<u>165,853</u>
Total Net Assets	<u>4,514,024</u>	<u>4,795,142</u>
Total Liabilities and Net Assets	<u>\$ 5,580,967</u>	<u>\$ 5,792,652</u>

The accompanying footnotes are an integral part of these financial statements.

Avenida Guadalupe Association
Statement of Activities
For the Year Ended September 30, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and Revenues:			
Government Grants - City of San Antonio	\$ 174,081	\$ -	\$ 174,081
Contributions and Grants	51,090	-	51,090
Rent (including government subsidy: \$55,740 In 2019)	853,794	-	853,794
Cultural Events	11,368	-	11,368
In-Kind Contributions	12,703	-	12,703
Management Fees	128,782	-	128,782
Interest and Investment Income	3,775	-	3,775
Net Assets Released from Restrictions	18,404	(18,404)	-
Total Support and Revenues	<u>\$ 1,253,997</u>	<u>\$ (18,404)</u>	<u>\$ 1,235,593</u>
Expenses:			
Program Services	1,309,014	-	1,309,014
General and Administrative	177,425	-	177,425
Fundraising	30,272	-	30,272
Total Expenses	<u>\$ 1,516,711</u>	<u>\$ -</u>	<u>\$ 1,516,711</u>
Change in Net Assets	\$ (262,714)	\$ (18,404)	\$ (281,118)
Net Assets, Beginning of Period	<u>4,629,289</u>	<u>165,853</u>	<u>4,795,142</u>
Net Assets, End of Period	<u>\$ 4,366,575</u>	<u>\$ 147,449</u>	<u>\$ 4,514,024</u>

The accompanying footnotes are an integral part of these financial statements.

Avenida Guadalupe Association
Statement of Activities
For the Year Ended September 30, 2018

	(Restated) Without Donor <u>Restrictions</u>	(Restated) With Donor <u>Restrictions</u>	(Restated) <u>Total</u>
Support and Revenues:			
Government Grants - City of San Antonio	\$ 154,100	\$ -	\$ 154,100
Contributions and Grants	63,924	25,932	89,856
Rent (including government subsidy: \$35,655 In 2018)	823,604	-	823,604
Management Fees	124,320	-	124,320
Gain on Sale of Investment	92,472	-	92,472
Interest and Investment Income	1,805	-	1,805
Net Assets Released From Restrictions	65,000	(65,000)	-
Total Support and Revenues	<u>\$ 1,325,225</u>	<u>\$ (39,068)</u>	<u>\$ 1,286,157</u>
Expenses:			
Program Services	1,259,026	-	1,259,026
General and Administrative	110,984	-	110,984
Fundraising	30,272	-	30,272
Total Expenses	<u>\$ 1,400,282</u>	<u>\$ -</u>	<u>\$ 1,400,282</u>
Change in Net Assets	\$ (75,057)	\$ (39,068)	\$ (114,125)
Net Assets, Beginning of Period	<u>4,704,346</u>	<u>204,921</u>	<u>4,909,267</u>
Net Assets, End of Period	<u>\$ 4,629,289</u>	<u>\$ 165,853</u>	<u>\$ 4,795,142</u>

The accompanying footnotes are an integral part of these financial statements.

Avenida Guadalupe Association
Statements of Functional Expenses - Supplemental Schedule
For the Years Ended September 30, 2019 and 2018

2019

	Community and Culture	Property Management	Program Expense Total	General and Administrative	Fundraising	Total
Advertising	\$ -	\$ 6,051	\$ 6,051	\$ -	\$ -	\$ 6,051
Professional Fees	47,350	37,306	84,656	71,357	-	156,013
Depreciation Expense	-	300,252	300,252	-	-	300,252
Bad Debt Expenses	-	-	-	42,865	-	42,865
Communications	-	7,797	7,797	11,695	-	19,492
Office	-	14,507	14,507	18,463	-	32,970
Insurance	949	93,928	94,877	-	-	94,877
Maintenance	1,850	183,148	184,998	-	-	184,998
Security	1,313	24,944	26,257	-	-	26,257
Supplies	8,807	4,730	13,537	2,773	-	16,310
Utilities	-	113,417	113,417	-	-	113,417
Interest	-	46,120	46,120	-	-	46,120
Property Taxes	-	45,938	45,938	-	-	45,938
Wages and Benefits	51,894	318,713	370,607	30,272	30,272	431,151
Total Expenses	\$ 112,163	\$ 1,196,851	\$ 1,309,014	\$ 177,425	\$ 30,272	\$ 1,516,711

2018

	Community and Culture	Property Management	Program Expense Total	General and Administrative	Fundraising	Total
Advertising	\$ 585	\$ 4,569	\$ 5,154	\$ 2,489	\$ -	\$ 7,643
Professional Fees	31,224	24,159	55,383	38,180	-	93,563
Depreciation Expense	-	304,152	304,152	-	-	304,152
Communications	-	5,894	5,894	8,800	-	14,694
Office	-	16,594	16,594	21,544	-	38,138
Insurance	2,314	81,967	84,281	1,948	-	86,229
Maintenance	1,588	112,099	113,687	-	-	113,687
Security	1,435	25,790	27,225	-	-	27,225
Supplies	25,693	13,837	39,530	7,843	-	47,373
Utilities	-	110,598	110,598	-	-	110,598
Interest	-	47,661	47,661	-	-	47,661
Property Taxes	-	74,915	74,915	-	-	74,915
Wages and Benefits	53,203	320,749	373,952	30,180	30,272	434,404
Total Expenses	\$ 116,042	\$ 1,142,984	\$ 1,259,026	\$ 110,984	\$ 30,272	\$ 1,400,282

See Accompanying Independent Auditor's Report.

Avenida Guadalupe Association
Statements of Cash Flows
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ (281,118)	\$ (114,125)
Cash Flows from Operating Activities:		
Adjustments to Reconcile Change in Net Assets to		
Net Assets Provided by (Used In) Operating Activities:		
Depreciation	300,252	304,152
Allowance for Doubtful Accounts	21,268	-
Changes in Operating Assets and Liabilities:		
(Increase) Decrease In Grant Receivable	2,964	139
(Increase) Decrease In Rent Receivable	20,104	(4,202)
(Increase) Decrease In Due from Affiliates	22,785	(24,447)
(Increase) Decrease In Event Receivable	(7,254)	-
(Increase) Decrease In Prepaid Expenses	(6,100)	(4,353)
Increase (Decrease) In Accounts Payable and Accrued Expenses	(4,589)	(7,497)
Increase (Decrease) In Rent Deposits Payable	1,964	(2,516)
Cash Flows Provided by (Used In) Operating Activities	<u>\$ 70,276</u>	<u>\$ 147,151</u>
Cash Flows from Investing Activities:		
Repayment of Notes Receivable - First Time Homebuyers	\$ 10,298	\$ 1,665
Purchases of Fixed Assets	(40,806)	(74,238)
Purchase of Investments - Real Estate Lots	(39,385)	9,007
Cash Flows Provided by (Used In) Investing Activities	<u>\$ (69,893)</u>	<u>\$ (63,566)</u>
Cash Flows from Financing Activities:		
Issuance of Long-Term Debt	\$ 99,894	\$ -
Payments on Notes Payable	(27,836)	(52,636)
Cash Flows Provided by (Used In) Financing Activities	<u>72,058</u>	<u>\$ (52,636)</u>
Net Change in Cash and Cash Equivalents	72,441	30,949
Cash and Cash Equivalents, Beginning of Year	<u>544,672</u>	<u>513,723</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 617,113</u></u>	<u><u>\$ 544,672</u></u>
Allocation of Cash and Cash Equivalents:		
Unrestricted Cash	\$ 278,018	\$ 183,151
Restricted and Designated Cash	<u>339,095</u>	<u>361,521</u>
Total Cash and Cash Equivalents	<u><u>\$ 617,113</u></u>	<u><u>\$ 544,672</u></u>
Supplemental disclosure:		
Cash Paid for Interest	\$ 46,120	\$ 47,661

The accompanying footnotes are an integral part of these financial statements.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies

Association and Nature of Activities

The Avenida Guadalupe Association (AGA) is a tax-exempt neighborhood based corporation organized pursuant to 501(c)(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.

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 Association'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 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 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 park owned by the City) constructed in 1984 primarily with funds from the United States 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 United States Department of Commerce, The United States Department of Health and Human Services, the City's CDBG funds, and the City's general fund.

San Jacinto

The Association constructed 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.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Artist Studios

The Association manages three office bungalows totaling 2,500 rentable square feet, which are owned by the City.

El Progreso

The Association manages the 5,600 square foot El Progreso Community Center (a public meeting room owned by the City) 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 – Heros

The Association rehabilitated the former “Pink Building” in 2013 with a grant from the City. 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, and a loan provided by the Raza Development Funds. The purpose of the building is to provide services pertinent to the target area and Hispanic community and Promesa hosts of the Avenida Guadalupe Neighborhood Workforce Center.

Community and Culture

The Association offers neighborhood services to include: community empowerment, advocacy, and engagement activities to local tenants and residents within the Avenida Guadalupe Neighborhood area. 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.

The Association is involved in offering culturally significant events that educate and provide the community with opportunities to experience traditional Mexican holidays, such as 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 and 2018

Note 1 – 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 the City 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 Heros 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.

Basis of Presentation

The Association's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed stipulations and are therefore immediately available to the Association for the performance of its service. Net assets without donor restrictions may be designated for a specific purpose by The Association's Board of Directors. The Board of Directors has set aside funds to be available in the future, should unforeseen events limit the Association's ability to perform the functions specified in its by-laws. The balance of these board designated net assets was \$20,000 as of September 30, 2019 and 2018. The board of directors also designated \$102,194 and \$147,472 for the future purchase of real estate lots in the community.

Net Assets With Donor Restrictions: Net assets that are limited by donor-imposed stipulations that are more restrictive than its mission and purpose that will be met by actions of the Association and/or the passage of time. Donor-imposed restrictions are released when a restriction expires, when either the stipulated time has elapsed or when the stipulated purpose for the restriction has been fulfilled. Net assets released from restrictions as of September 30, 2019 and 2018 were \$18,404 and \$65,000. The Association does not have any permanently restricted net assets as of September 30, 2019 and 2018.

Cash and Cash Equivalents

Cash equivalents include demand bank accounts, money market accounts, and all short term investments with an initial maturity of three months or less.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Grants Receivable

Grants generally require the Association to comply with a contractual obligation. Grants are reviewed annually for collectability. An allowance for doubtful accounts has not been established since it is estimated the grants receivables will be collected in full as of September 30, 2019 and 2018.

Rent Receivable

Rents are recorded as rent revenue in accordance with the lease agreement. Rents are reviewed monthly for collectability. In 2019 a bad debt expense was recorded in the amount of \$13,032 after it was determined by the Association that past due amounts from two tenants were uncollectible. An allowance for doubtful accounts has not been established since the Association removed uncollectible amounts during the 2019 fiscal year and the remaining rents receivables are expected to be collected in full as of September 30, 2019 and 2018.

Amounts Due from Affiliates

Amounts due from affiliates are payroll costs that are paid by the Association and are reimbursed by their affiliated Organizations. An allowance was not required as of September 30, 2019 and 2018.

Notes Receivable

Note receivables are loans granted by the Association to first time homebuyers in the community. The balances due on the loans are recorded as notes receivable in the statement of financial position. There are six loans that are included in the notes receivable balance as of September 30, 2019 and 2018. Subsequent to the 2019 fiscal year, one of the homes was foreclosed upon and the Association received only a fraction of the amount still due on the loan. \$8,565 was included as a bad debt expense in 2019 to record the loss that was incurred. An allowance for doubtful accounts in the amount of \$21,268 was established in the 2019 fiscal year to estimate the uncollectible portion of the receivables.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is recorded at historical cost. Donated assets are reported at fair market value at the time of the donation. Buildings, furniture, and fixture acquisitions in excess of \$500 are capitalized and depreciated using the straight-line method over the estimated useful lives of the applicable assets. Maintenance and repair costs are expensed when incurred, while renewals and betterments are capitalized and depreciated over their estimated useful lives.

Sources of Revenue and Support

Contributions, grants, rent, and management fee revenues received by the Association are recorded as with donor restrictions and without donor restrictions depending on the existence and/or nature of donor and time restrictions.

Donated Gifts and Services

Donated gifts and services include in-kind contributions received by the Association and are valued based on their estimated fair market value on the date of contribution. Donated services and materials are recorded as contributions if the services and/or materials (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Federal Tax Status

The Association is a not-for-profit corporation and is exempt from federal income taxation under Internal Revenue Service Code Section 501(c)(3). Contributions are deductible by donors to the extent allowable under federal income tax law. The Association is not subject to Texas margin tax. The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Its federal tax returns for the last four years remain subject to examination.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist of cash and cash equivalents. At times throughout the year, bank balances exceeded Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000. As of September 30, 2019, the bank balances exceeded the FDIC coverage limit by \$235,282 at one financial institution. Management monitors all accounts and the Association has not experienced any losses on its deposits. The Association maintains its funds in four separate federally insured depository institutions.

Subsequent Events

Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2019. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In August 2016, the FASB issued a new accounting pronouncement regarding reporting and disclosure requirements for not-for-profit Organizations, effective for periods beginning after December 15, 2017. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expense by function, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. The Association adopted this new pronouncement in the fiscal year 2019 financial statements, and prior year presentation conforms to the new pronouncement.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of 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 and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between the periods presented. Reclassifications were made due to the adoption of Accounting Standards Update 2016-4, which requires two classifications of net assets from the previously reported three classes. Net assets previously classified at September 30, 2018 as “unrestricted” are now classified as “without donor restrictions”. Net assets previously classified as “temporarily restricted” and “permanently restricted” are now classified as “with donor restrictions”. The reclassifications had no effect on the previously reported change in net assets. Certain reclassifications have been made in the prior year’s financial statements to conform to the current year situation.

Note 2 – Investments

At September 30, 2019 and 2018 the Association held the following investments:

	<u>2019</u>	<u>2018</u>
Investment in Avenida Guadalupe Development, Inc.	\$ 10,000	\$ 10,000
Lots held for future housing construction	<u>85,378</u>	<u>45,993</u>
Total Investments	<u>\$ 95,378</u>	<u>\$ 55,993</u>

Avenida Guadalupe Association
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019 and 2018

Note 2 – Investments (continued)

In March 2018, the Association sold the five lots which were held for future housing construction, with a total basis of \$55,000, to the San Antonio Housing Authority for \$150,000. A gain of \$92,472 was realized and recorded after selling costs of \$2,528. Three replacement lots were purchased in August 2018 for \$45,993. Two additional lots were purchased for \$36,885 and improvements on a previous lot in the amount of \$2,050 were made during the 2019 fiscal year. The remaining funds that are held are included in net assets without restrictions – board designated – real estate.

Note 3 – Restricted and Designated Cash

Restricted and Designated Cash consists of the following as of September 30, 2019 and 2018:

First Time Homebuyer - HOME Program	\$ 88,685	\$ 87,087
Rent Deposits	68,878	66,914
Endowment Funds	20,000	20,000
Replacement Reserve	45,763	60,109
Healthy Food Choices	13,575	25,932
Real Estate Development	<u>102,194</u>	<u>101,479</u>
Total Restricted Cash	<u>\$ 339,095</u>	<u>\$ 361,521</u>

Note 4 – Buildings and Equipment

Buildings and equipment for the years ended September 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Buildings and Improvements	\$ 11,485,233	\$ 11,454,172
Equipment and Furniture	388,629	378,885
Less: Accumulated Depreciation	<u>(7,141,958)</u>	<u>(6,841,707)</u>
Total Buildings and Equipment	<u>\$ 4,731,904</u>	<u>\$ 4,991,350</u>

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 and 2018

Note 4 – Buildings and Equipment (Continued)

Total depreciation expense for the years ended September 30, 2019 and 2018 was \$300,252 and \$304,152, respectively.

Note 5 – Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
First Time Homebuyer - HOME Program	\$ 131,356	\$ 139,921
Healthy Food Choices	<u>16,093</u>	<u>25,932</u>
Total Net Assets With Donor Restrictions	<u>\$ 147,449</u>	<u>\$ 165,853</u>

Note 6 – Commitments and Contingencies

The Association is funded by various federal and City 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 respective 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 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 on behalf of the Association.

The City 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.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 and 2018

Note 7 – Fiscal Year 2019 and 2018 Department of Planning and Community Development and Department of Community Initiatives

The Association met the terms and conditions as stated in the contract between itself and The City and has forwarded all necessary information to the City. 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 a positive cash flow. Replacement reserves are maintained and deposits are made monthly.

Note 8 – Fair Value of Financial Instruments

The requirements of *Fair Value Measurements and Disclosures* of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or an amount paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Measurements and Disclosures establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority. Level 2 valuations are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets and liabilities. Level 3 valuations are based on inputs that are unobservable, supported by little or no market activity, that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. At September 30, 2019 and 2018, all assets and liabilities of the Association are considered to be classified as Level 1.

The following methods and assumptions were used by the Association in estimating its fair value disclosures for financial statements:

Level 1 - Cash and cash equivalents, receivables, investments, and current portion of notes payable- The carrying amounts reported in the statement of financial position approximate their fair values because of the short term maturities of those instruments.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 and 2018

Note 9 – Notes 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 November 1, 2032. At September 30, 2019 and 2018 \$807,333 and \$835,169 was outstanding on the loan. Payments of \$6,604 including interest at 5.5% are due and payable monthly. Future principal maturities are as follows:

<u>Year Ended September 30,</u>	
2020	\$35,616
2021	37,580
2022	39,700
2023	41,939
After 2023	<u>652,498</u>
	<u>\$807,333</u>

In September 2018 the Association opened up a \$100,000 line of credit. The balance due on the line of credit as of September 30, 2019 was \$99,894. A one-time payment of all outstanding principal plus all accrued unpaid interest is due on September 12, 2021. Regular payments of all accrued unpaid interest will be paid on a monthly basis.

Total Interest Expenses paid during September 30, 2019 and 2018 was \$46,120 and 47,661

Note 10 – Plaza Guadalupe

During the year ended September 30, 2019 and 2018, the Association received \$28,394 and \$10,545 in rental income from the use of the Plaza. The economic value of the rentals was \$58,394 and \$22,155 for 2019 and 2018 which was reduced by rental discount vouchers totaling \$30,000 and \$11,610 to qualified renters. More than 75% of the usage of the Plaza qualified for discount vouchers. This amount does not include expenses incurred by the Association related to the Plaza. The Association incurred janitorial, security, maintenance, and insurance costs in the amount of \$36,523 and \$17,810 for the fiscal years ending September 30, 2019 and 2018.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 and 2018

Note 11 – Liquidity and Availability of Financial Resources

The Association has approximately \$409,603 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. This consists of cash and cash equivalents of \$617,113, current assets of \$136,572 net of The Association's current liabilities of \$196,633 and donor-restricted funds of \$147,449 as of year-end.

Note 12 – Reclassification of Net Assets

In previous years, the amount invested in fixed assets and the recording of endowed funds were recorded as permanently restricted net assets. The grant funds that were provided to purchase fixed assets and make improvements on the buildings were restricted for that purpose. Once the buildings were purchased and improvements were made, these met the grantors restrictions and thereby were released from restrictions and should have been recorded as unrestricted net assets. In addition, the Association has endowed funds that were recorded as permanently restricted net assets. During discussion with management during the 2019 audit, these funds are not donor or time-restricted but instead are considered to be board designated funds to be used as future reserves. These funds should have been recorded as unrestricted net assets – board designated. The above reclassifications have been made in the prior year's financial statements to conform to the current year presentation of the financial statements.

Funds held for future real estate purchases and initial investment in Avenida Guadalupe Development (AGD) were previously reported as temporarily restricted net assets and have been reclassified as unrestricted net assets in the prior year's financial statements to conform to the current year presentation of the financial statements. The funds held for future real estate purchases are not donor or time restricted. These funds are considered to be unrestricted - board designated net assets to be used for future real estate projects in the community. The initial investment in AGD should have been released from restrictions once the investment was made into AGD, therefore, these funds are reclassified in the prior year financial statements from temporarily restricted net assets to unrestricted net assets.

The above reclassifications had no effect on the previously reported net assets available to the Association. These reclassifications have been made in the prior year's financial statements to conform to the current year presentation.