

**AVENIDA GUADALUPE
ASSOCIATION**

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 and 2020

Avenida Guadalupe Association

Audited Financial Statements

September 30, 2021 and 2020

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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, 2021 and 2020, 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 audits 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, 2021 and 2020, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



San Antonio, Texas
January 24, 2022

Avenida Guadalupe Association
Statements of Financial Position
September 30, 2021 and 2020

Assets:	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and Cash Equivalents	\$ 379,462	\$ 401,365
Grant Receivable - City of San Antonio	61,904	32,833
Rent Receivable	6,298	5,534
Due from Affiliates	42,631	36,218
Event Receivable	712	-
Prepaid Expenses	16,690	16,254
Notes Receivable - First Time Homebuyers, less allowance for doubtful accounts in the amount of \$14,098 for 2021 and \$27,138 for 2020.	<u>18,098</u>	<u>11,132</u>
Total Current Assets	<u>525,795</u>	<u>503,336</u>
Fixed Assets:		
Buildings and Improvements	11,733,424	11,741,853
Equipment and Furniture	401,274	399,224
Construction in Progress	16,970	-
Less: Accumulated Depreciation	<u>(7,770,965)</u>	<u>(7,459,907)</u>
	4,380,703	4,681,170
Other Assets:		
Investments	95,378	95,378
Restricted Assets:		
Cash and Cash Equivalents - Restricted and Designated	<u>437,808</u>	<u>391,994</u>
Total Assets	<u>\$ 5,439,684</u>	<u>\$ 5,671,878</u>
Liabilities:		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 28,773	\$ 98,846
Rent Deposits Payable	76,771	78,410
Deferred Revenues	36,147	18,699
Current Maturities of PPP Loan - Refundable Advance	-	117,556
Line of Credit	-	23,094
Current Maturities of Long-Term Debt	<u>32,235</u>	<u>28,057</u>
Total Current Liabilities	<u>173,926</u>	<u>364,662</u>
Long Term Liabilities:		
Long-Term Debt - Less Current Maturities	722,531	754,884
PPP Loan - Less Current Maturities - Refundable Advance	-	60,644
Total Long Term Liabilities	<u>722,531</u>	<u>815,528</u>
Total Liabilities	<u>896,457</u>	<u>1,180,190</u>
Net Assets:		
Net Assets Without Donor Restrictions		
Undesignated	619,231	293,839
Board Designated - Future Reserves	20,000	20,000
Board Designated - Real Estate Lots	104,001	103,960
Designated For Net Property and Equipment, Net of Debt	<u>3,625,937</u>	<u>3,898,229</u>
Total Net Assets Without Donor Restrictions	<u>4,369,169</u>	<u>4,316,028</u>
With Donor Restrictions	<u>174,058</u>	<u>175,660</u>
Total Net Assets	<u>4,543,227</u>	<u>4,491,688</u>
Total Liabilities and Net Assets	<u>\$ 5,439,684</u>	<u>\$ 5,671,878</u>

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

Avenida Guadalupe Association
Statement of Activities
For the Year Ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues:			
Government Grants - City of San Antonio	\$ 142,000	\$ -	\$ 142,000
Contributions and Grants	16,633	10,000	26,633
SBA Grant - PPP Loan	178,200	-	178,200
Rental Income (including government subsidy of \$17,500 In 2021)	902,287	-	902,287
Homebuyer Program Revenues	13,040	-	13,040
Management Fees	130,676	-	130,676
Interest and Investment Income	2,174	-	2,174
Miscellaneous Revenues	27,207	-	27,207
Net Assets Released from Restrictions	11,602	(11,602)	-
Total Support and Revenues	<u>\$ 1,423,819</u>	<u>\$ (1,602)</u>	<u>\$ 1,422,217</u>
Expenses:			
Program Services	1,278,612	-	1,278,612
General and Administrative	72,205	-	72,205
Fundraising	19,861	-	19,861
Total Expenses	<u>\$ 1,370,678</u>	<u>\$ -</u>	<u>\$ 1,370,678</u>
Change in Net Assets	\$ 53,141	\$ (1,602)	\$ 51,539
Net Assets, Beginning of Period	<u>4,316,028</u>	<u>175,660</u>	<u>4,491,688</u>
Net Assets, End of Period	<u>\$ 4,369,169</u>	<u>\$ 174,058</u>	<u>\$ 4,543,227</u>

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

Avenida Guadalupe Association
Statement of Activities
For the Year Ended September 30, 2020

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and Revenues:			
Government Grants - City of San Antonio	\$ 381,617	\$ -	\$ 381,617
Contributions and Grants	16,797	10,000	26,797
Rental Income (including government subsidy of \$12,020 In 2020)	905,776	-	905,776
Cultural Events	7,750	-	7,750
In-Kind Contributions	8,180	-	8,180
Management Fees	132,633	-	132,633
Interest and Investment Income	2,741	-	2,741
Miscellaneous Revenues	9,131	-	9,131
Net Assets Released from Restrictions	16,093	(16,093)	-
Total Support and Revenues	<u>\$ 1,480,718</u>	<u>\$ (6,093)</u>	<u>\$ 1,474,625</u>
Expenses:			
Program Services	1,399,113	-	1,399,113
General and Administrative	78,982	-	78,982
Fundraising	18,866	-	18,866
Total Expenses	<u>\$ 1,496,961</u>	<u>\$ -</u>	<u>\$ 1,496,961</u>
Change in Net Assets	\$ (16,243)	\$ (6,093)	\$ (22,336)
Net Assets, Beginning of Period	<u>4,332,271</u>	<u>181,753</u>	<u>4,514,024</u>
Net Assets, End of Period	<u>\$ 4,316,028</u>	<u>\$ 175,660</u>	<u>\$ 4,491,688</u>

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

Avenida Guadalupe Association
Statements of Functional Expenses
For the Years Ended September 30, 2021 and 2020

2021

	Community and Culture	Economic Development	Program Expense Total	General and Administrative	Fundraising	Total
Wages and Benefits	\$ 152,456	\$ 253,737	\$ 406,193	\$ 19,861	\$ 19,861	\$ 445,915
Depreciation Expense	5,642	313,843	319,485	-	-	319,485
Maintenance	84,909	55,635	140,544	-	-	140,544
Insurance	39,814	74,972	114,786	-	-	114,786
Utilities	22,344	63,972	86,316	-	-	86,316
Professional Fees	1,773	15,989	17,762	50,215	-	67,977
Supplies	38,540	29,274	67,814	-	-	67,814
Interest	-	39,480	39,480	-	-	39,480
Communications	6,779	18,932	25,711	116	-	25,827
Office	9,848	12,142	21,990	2,013	-	24,003
Cultural Events	20,538	-	20,538	-	-	20,538
Security	1,019	11,897	12,916	-	-	12,916
Advertising	96	1,826	1,922	-	-	1,922
Taxes	175	1,434	1,609	-	-	1,609
Books and Subscriptions	-	1,546	1,546	-	-	1,546
Total Expenses	\$ 383,933	\$ 894,679	\$ 1,278,612	\$ 72,205	\$ 19,861	\$ 1,370,678

2020

	Community and Culture	Economic Development	Program Expense Total	General and Administrative	Fundraising	Total
Wages and Benefits	\$ 161,785	\$ 300,832	\$ 462,617	\$ 18,866	\$ 18,866	\$ 500,349
Depreciation Expense	5,639	312,310	317,949	-	-	317,949
Maintenance	93,711	74,650	168,361	-	-	168,361
Insurance	34,746	80,118	114,864	921	-	115,785
Utilities	23,334	66,718	90,052	-	-	90,052
Professional Fees	960	16,209	17,169	48,982	-	66,151
Property Taxes	591	59,577	60,168	-	-	60,168
Interest	-	49,762	49,762	-	-	49,762
Cultural Events	39,380	-	39,380	-	-	39,380
Communications	8,674	18,776	27,450	2,371	-	29,821
Security	1,869	19,270	21,139	-	-	21,139
Office	5,885	4,188	10,073	5,469	-	15,542
Supplies	1,887	4,197	6,084	2,373	-	8,457
Advertising	1,750	5,666	7,416	-	-	7,416
Bad Debt Expenses	6,629	-	6,629	-	-	6,629
Total Expenses	\$ 386,840	\$ 1,012,273	\$ 1,399,113	\$ 78,982	\$ 18,866	\$ 1,496,961

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

Avenida Guadalupe Association
Statements of Cash Flows
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Change in Net Assets	\$ 51,539	\$ (22,336)
Cash Flows from Operating Activities:		
Adjustments to Reconcile Change in Net Assets to		
Net Assets Provided by (Used In) Operating Activities:		
Depreciation	319,485	317,949
Allowance for Doubtful Accounts	(13,040)	5,870
Changes in Operating Assets and Liabilities:		
(Increase) Decrease In Grant Receivable	(29,071)	4,960
(Increase) Decrease In Rent Receivable	(764)	(346)
(Increase) Decrease In Due from Affiliates	(6,413)	13,947
(Increase) Decrease In Event Receivable	(712)	7,254
(Increase) Decrease In Prepaid Expenses	(436)	(1,350)
Increase (Decrease) In Accounts Payable and Accrued Expenses	(70,073)	8,008
Increase (Decrease) In Rent Deposits Payable	(1,639)	9,532
Increase (Decrease) In Deferred Revenues	17,448	18,699
Cash Flows Provided by (Used In) Operating Activities	<u>\$ 266,324</u>	<u>\$ 362,187</u>
Cash Flows from Investing Activities:		
Repayment of Notes Receivable - First Time Homebuyers	\$ 6,074	\$ 4,266
Purchases of Fixed Assets	(19,018)	(267,215)
Cash Flows Provided by (Used In) Investing Activities	<u>\$ (12,944)</u>	<u>\$ (262,949)</u>
Cash Flows from Financing Activities:		
Issuance of Long-Term Debt	\$ -	\$ 178,200
Payments on Notes Payable	(229,469)	(101,192)
Cash Flows Provided by (Used In) Financing Activities	<u>(229,469)</u>	<u>\$ 77,008</u>
Net Change in Cash and Cash Equivalents	23,911	176,246
Cash and Cash Equivalents, Beginning of Year	<u>793,359</u>	<u>617,113</u>
Cash and Cash Equivalents, End of Year	<u>\$ 817,270</u>	<u>\$ 793,359</u>
Allocation of Cash and Cash Equivalents:		
Unrestricted Cash	\$ 379,462	\$ 401,365
Restricted and Designated Cash	437,808	391,994
Total Cash and Cash Equivalents	<u>\$ 817,270</u>	<u>\$ 793,359</u>
Supplemental disclosure:		
Cash Paid for Interest	<u>\$ 39,480</u>	<u>\$ 49,762</u>

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

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 and 2020

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:

Economic Development

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.

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.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 and 2020

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.

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.

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.

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

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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.

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, 2021 and 2020. The board of directors also designated \$104,001 and \$103,960 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, 2021 and 2020 were \$11,602 and \$16,093. The Association does not have any permanently restricted net assets as of September 30, 2021 and 2020.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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, 2021 and 2020.

Rent Receivable

Rents are recorded as rent revenue in accordance with the lease agreement. Rents are reviewed monthly for collectability. All rents receivable amounts as of September 30, 2021 are deemed collectible and payment is expected to be received in full. Therefore, an allowance for doubtful accounts has not been established.

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, 2021 and 2020.

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. Regular payments are not being collected on some of properties, therefore, an allowance for doubtful accounts in the amount of \$14,098 and \$27,138 as of September 30, 2021 and 2020 has been established to estimate the uncollectible portion of the receivables.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020, the bank balances exceeded the FDIC coverage limit by \$444,008 and \$455,823 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 three 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 February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. 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.

Recently Adopted Accounting Pronouncements

In 2014, the FASB issued ASU 2014-19 *Revenue from Contract with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The organization should recognize revenue when the entity satisfies a performance obligation. Not-for-profit organizations must consider whether certain arrangements are fully or partially subject to this standard. The Organization adopted this ASU as of and for the year ended September 30, 2020.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The Organization adopted this ASU as of and for the year ended September 30, 2020.

Analysis of various provisions of the adopted ASU's resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the ASU's.

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.

Note 2 – Investments

At September 30, 2021 and 2020 the Association held the following investments:

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 and 2020

Note 2 – Investments (continued)

	2021	2020
Investment in Avenida Guadalupe Development, Inc.	\$ 10,000	\$ 10,000
Lots held for future housing construction	85,378	85,378
Total Investments	\$ 95,378	\$ 95,378

Note 3 – Restricted and Designated Cash

Restricted and Designated Cash consists of the following as of September 30, 2021 and 2020:

	2021	2020
First Time Homebuyer - HOME Program	\$ 98,651	\$ 92,998
Rent Deposits	82,338	86,786
Future Reserve Funds	20,000	20,000
Replacement Reserves	84,629	43,946
Donor and Purpose Restricted	48,189	44,304
Real Estate Development	104,001	103,960
Total Restricted Cash	\$ 437,808	\$ 391,994

Note 4 – Buildings and Equipment

Buildings and equipment for the years ended September 30, 2021 and 2020 consist of the following:

	2021	2020
Buildings and Improvements	\$ 11,733,424	\$ 11,741,853
Equipment and Furniture	401,274	399,224
Construction in Progress	16,970	-
Less: Accumulated Depreciation	(7,770,965)	(7,459,907)
Total Buildings & Equipment	\$ 4,380,703	\$ 4,681,170

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 and 2020

Note 4 – Buildings and Equipment (Continued)

Total depreciation expense for the years ended September 30, 2021 and 2020 was \$319,485 and \$317,949 respectively.

Note 5 – Net Assets With Donor Restrictions

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

	2021	2020
First Time Homebuyer - HOME Program	\$ 128,537	\$ 131,356
Hispanic Heritage Month	11,217	10,000
Veteran Project	34,304	34,304
	\$ 174,058	\$ 175,660

Note 6 – Commitments and Contingencies

The Association is funded by various 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.

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Note 7 – Fiscal Year 2021 and 2020 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, 2021 and 2020, 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.

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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, 2021 and 2020 \$754,766 and \$782,941 was outstanding on the loan. Payments of \$6,090 including interest at 5.5% are due and payable monthly.

Future principal maturities for notes payable are as follows:

<u>Year Ended September 30,</u>		
2022	\$	32,235
2023		34,041
2024		35,961
2025		37,989
After 2025		614,540
	\$	<u>754,766</u>

In September 2018, the Association opened up a \$100,000 line of credit with an interest rate of 5.25% that was due in full on September 12, 2021. The balance on the line of credit was paid in full during the current fiscal year and no draws have been taken on the line of credit after it was paid off.

Total Interest Expenses paid during September 30, 2021 and 2020 was \$39,480 and 49,762.

Note 10 - SBA Grant - Paycheck Protection Program (PPP)

During the 2020 fiscal year, the Association received a PPP loan in the amount of \$178,200 from the Small Business Administration (SBA). The loan accrued interest at 1.0% per annum, with no required payments for ten months after funding of the loan.

The Association is accounting for the proceeds of the loan as a conditional contribution under *FASB ASC 958-605 Not-for-Profits Entities – Revenue Recognition*. Under this guidance, the loan forgiveness is recognized as contribution revenue as the conditions of forgiveness are substantially met. As of September 30, 2021, the Association has expended 100% of the proceeds for eligible expenses during the covered period of the loan and fulfilled the forgiveness criteria under the Program. The Association submitted the loan forgiveness application to the Lender and on November 5, 2020 the Association was notified that the entire loan balance had been forgiven. As a result, the Association has recognized grant revenue in the amount of \$178,200 for the fiscal year ended September 30, 2021.

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Note 11 – Liquidity and Availability of Financial Resources

The Association has approximately \$615,619 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 \$817,270 current assets of \$146,333 net of The Association's current liabilities of \$173,926 and donor-restricted funds of \$174,058 as of year-end. The Association currently has sufficient financial assets to meet at least three months of operating expenses. Monthly operating expenses are approximately \$90,000.

Note 12 – Risks and Uncertainties

In March 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. While this event has impacted the world economy, the extent to which this event will impact the Association's financial position in the future will depend on future developments, which are highly uncertain and cannot be predicted. Uncertain events can include, but are not limited to, new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.