

**AVENIDA GUADALUPE
ASSOCIATION**

**AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 and 2019**

Avenida Guadalupe Association

Audited Financial Statements

September 30, 2020 and 2019

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ERIN LECCE, CPA

2623 CROW VALLEY

SAN ANTONIO, TEXAS 78232

210-884-2043

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 statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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, 2020, and the changes in its net assets, functional expenses, 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, 2019, were audited by another auditor whose report dated January 27, 2020, expressed an unmodified opinion on those statements.



San Antonio, Texas
January 25, 2021

Avenida Guadalupe Association
Statements of Financial Position
September 30, 2020 and 2019

Assets:	<u>2020</u>	(Restated) <u>2019</u>
Current Assets:		
Cash and Cash Equivalents	\$ 401,365	\$ 278,018
Grant Receivable - City of San Antonio	32,833	37,793
Rent Receivable	5,534	5,188
Due from Affiliates	36,218	50,165
Event Receivable	-	7,254
Prepaid Expenses	16,254	14,904
Notes Receivable - First Time Homebuyers, less allowance for doubtful accounts in the amount of \$27,138 for 2020 and \$21,268 for 2019.	11,132	21,268
Total Current Assets	<u>503,336</u>	<u>414,590</u>
Fixed Assets:		
Buildings and Improvements	11,741,853	11,485,233
Equipment and Furniture	399,224	388,629
Less: Accumulated Depreciation	(7,459,907)	(7,141,958)
	<u>4,681,170</u>	<u>4,731,904</u>
Other Assets:		
Investments	95,378	95,378
Restricted Assets:		
Cash and Cash Equivalents - Restricted and Designated	391,994	339,095
Total Assets	\$ 5,671,878	\$ 5,580,967
Liabilities:		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 98,846	\$ 90,838
Rent Deposits Payable	78,410	68,878
Deferred Revenues	18,699	-
Current Maturities of PPP Loan - Refundable Advance	117,556	-
Line of Credit	23,094	-
Current Maturities of Long-Term Debt	39,027	35,616
Total Current Liabilities	<u>375,632</u>	<u>195,332</u>
Long Term Liabilities:		
Long-Term Debt - Less Current Maturities	743,914	771,717
PPP Loan - Less Current Maturities - Refundable Advance	60,644	-
Line of Credit	-	99,894
Total Long Term Liabilities	<u>804,558</u>	<u>871,611</u>
Total Liabilities	1,180,190	1,066,943
Net Assets:		
Net Assets Without Donor Restrictions		
Undesignated	293,839	285,506
Board Designated - Future Reserves	20,000	20,000
Board Designated - Real Estate Lots	103,960	102,194
Designated For Net Property and Equipment, Net of Debt	3,898,229	3,924,571
Total Net Assets Without Donor Restrictions	<u>4,316,028</u>	<u>4,332,271</u>
With Donor Restrictions	175,660	181,753
Total Net Assets	<u>4,491,688</u>	<u>4,514,024</u>
Total Liabilities and Net Assets	\$ 5,671,878	\$ 5,580,967

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 Restrictions</u>	<u>With Donor 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
Rent (including government subsidy: \$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
Statement of Activities
For the Year Ended September 30, 2019

	(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	\$ 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	4,594,985	200,157	4,795,142
Net Assets, End of Period	<u>\$ 4,332,271</u>	<u>\$ 181,753</u>	<u>\$ 4,514,024</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, 2020 and 2019

2020

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

2019

	Community and Culture	Economic Development	Program Expense Total	General and Administrative	Fundraising	Total
Advertising	\$ -	\$ 6,051	\$ 6,051	\$ -	\$ -	\$ 6,051
Professional Fees	2,023	-	2,023	71,357	-	73,380
Depreciation Expense	-	300,252	300,252	-	-	300,252
Bad Debt Expenses	-	-	-	42,865	-	42,865
Communications	-	7,797	7,797	11,695	-	19,492
Cultural Events	82,633	-	82,633	-	-	82,633
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	\$ 149,469	\$ 1,159,545	\$ 1,309,014	\$ 177,425	\$ 30,272	\$ 1,516,711

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

Avenida Guadalupe Association
Statements of Cash Flows
September 30, 2020 and 2019

	<u>2020</u>	<u>(Restated)</u> <u>2019</u>
Change in Net Assets	\$ (22,336)	\$ (281,118)
Cash Flows from Operating Activities:		
Adjustments to Reconcile Change in Net Assets to		
Net Assets Provided by (Used In) Operating Activities:		
Depreciation	317,949	300,252
Allowance for Doubtful Accounts	5,870	21,268
Changes in Operating Assets and Liabilities:		
(Increase) Decrease In Grant Receivable	4,960	2,964
(Increase) Decrease In Rent Receivable	(346)	20,104
(Increase) Decrease In Due from Affiliates	13,947	22,785
(Increase) Decrease In Event Receivable	7,254	(7,254)
(Increase) Decrease In Prepaid Expenses	(1,350)	(6,100)
Increase (Decrease) In Accounts Payable and Accrued Expenses	8,008	(4,589)
Increase (Decrease) In Rent Deposits Payable	9,532	1,964
Increase (Decrease) In Deferred Revenues	18,699	-
Cash Flows Provided by (Used In) Operating Activities	<u>\$ 362,187</u>	<u>\$ 70,276</u>
Cash Flows from Investing Activities:		
Repayment of Notes Receivable - First Time Homebuyers	\$ 4,266	\$ 10,298
Purchases of Fixed Assets	(267,215)	(40,806)
Purchase of Investments - Real Estate Lots	-	(39,385)
Cash Flows Provided by (Used In) Investing Activities	<u>\$ (262,949)</u>	<u>\$ (69,893)</u>
Cash Flows from Financing Activities:		
Issuance of Long-Term Debt	\$ 178,200	\$ 99,894
Payments on Notes Payable	(101,192)	(27,836)
Cash Flows Provided by (Used In) Financing Activities	<u>77,008</u>	<u>\$ 72,058</u>
Net Change in Cash and Cash Equivalents	176,246	72,441
Cash and Cash Equivalents, Beginning of Year	<u>617,113</u>	<u>544,672</u>
Cash and Cash Equivalents, End of Year	<u>\$ 793,359</u>	<u>\$ 617,113</u>
Allocation of Cash and Cash Equivalents:		
Unrestricted Cash	\$ 401,365	\$ 278,018
Restricted and Designated Cash	391,994	339,095
Total Cash and Cash Equivalents	<u>\$ 793,359</u>	<u>\$ 617,113</u>
Supplemental disclosure:		
Cash Paid for Interest	<u>\$ 49,792</u>	<u>\$ 46,120</u>

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

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019. The board of directors also designated \$103,960 and \$102,194 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, 2020 and 2019 were \$16,093 and \$18,404. The Association does not have any permanently restricted net assets as of September 30, 2020 and 2019.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 and 2019

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, 2020 and 2019.

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 had not been established since the Association removed uncollectible amounts during the 2019 fiscal year and the remaining rents receivables were collected in full subsequent to September 30, 2019. All rents receivable amounts as of September 30, 2020 are deemed collectible and payment is expected to be received in full.

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, 2020 and 2019.

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 \$27,138 and \$21,268 as of September 30, 2020 and 2019 has been established to estimate the uncollectible portion of the receivables.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019, the bank balances exceeded the FDIC coverage limit by \$455,823 and \$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 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 has adopted this ASU as of and for the year ended September 30, 2020.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 and 2019

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 has 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.

In August 2016, the FASB issued a new accounting pronouncement regarding reporting and disclosure requirements for not-for-profit Associations, 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 Organization adopted this new pronouncement in its 2019 financial statements.

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.

Avenida Guadalupe Association
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020 and 2019

Note 2 – Investments

At September 30, 2020 and 2019 the Association held the following investments:

	2020	2019
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, 2020 and 2019:

	2020	2019
First Time Homebuyer - HOME Program	\$ 92,998	\$ 88,685
Rent Deposits	86,786	68,878
Endowment Funds	20,000	20,000
Replacement Reserve	43,946	45,763
Donor Restricted	44,304	13,575
Real Estate Development	103,960	102,194
Total Restricted Cash	\$ 391,994	\$ 339,095

Note 4 – Buildings and Equipment

Buildings and equipment for the years ended September 30, 2020 and 2019 consist of the following:

	2020	2019
Buildings and Improvements	\$ 11,741,853	\$ 11,485,233
Equipment and Furniture	399,224	388,629
Less: Accumulated Depreciation	(7,459,907)	(7,141,958)
Total Buildings and Equipment	\$ 4,681,170	\$ 4,731,904

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 and 2019

Note 4 – Buildings and Equipment (Continued)

Total depreciation expense for the years ended September 30, 2020 and 2019 was \$317,949 and \$300,252, respectively.

Note 5 – Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
First Time Homebuyer - HOME Program	\$ 131,356	\$ 131,356
Hispanic Heritage Month	10,000	-
Veteran Project	34,304	34,304
Healthy Food Choices	-	16,093
Total Net Assets With Donor Restrictions	<u>\$ 175,660</u>	<u>\$ 181,753</u>

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 2020 and 2019 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, 2020 and 2019, 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, 2020 and 2019 \$782,941 and \$807,333 was outstanding on the loan. Payments of \$6,090 including interest at 5.5% are due and payable monthly.

The Association was granted a \$178,200 loan under the PPP administered by a Small Business Administration (SBA) approved partner in April 2020. The loan is uncollateralized and is fully guaranteed by the Federal government. The Association has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended September 30, 2020. The Organization will be required to repay any remaining balance, plus accrued interest, in monthly payments commencing upon notification of forgiveness or partial forgiveness. Management believes that the Association is eligible for 100% forgiveness of the loan. Any unforgiven portion of the loan bears interest at a 1% interest rate and the Association has two years to repay the loan. Subsequent to year end, the Association was notified in November 2020 that their PPP loan was forgiven in full.

Future principal maturities for notes payable are as follows:

<u>Year Ended September 30,</u>	
2021	\$156,583
2022	101,872
2023	43,554
2024	46,011
After 2024	<u>613,121</u>
	<u>\$961,141</u>

In September 2018, the Association opened up a \$100,000 line of credit with an interest rate of 5.25% that is due in full on September 12, 2021. The balance due on the line of credit as of September 30, 2020 and 2019 was \$23,094 and \$99,894.

Total Interest Expenses paid during September 30, 2020 and 2019 was \$49,762 and 46,120.

Avenida Guadalupe Association
NOTES TO THE FINANCIAL STATEMENTS
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Note 10 – Liquidity and Availability of Financial Resources

The Association has approximately \$344,038 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 \$793,359 current assets of \$101,971 net of The Association's current liabilities of \$375,632 and donor-restricted funds of \$175,660 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 \$90,331.

Note 11 – Subsequent Events

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.

Note 12 – Reclassification of Net Assets

In a previous year, \$34,304 was received and restricted by a donor for the purpose of the construction of a monument dedicated to veterans. The amount of funds received for this project should have been included in net assets with donor restrictions. In previous years, these funds were included with net assets without donor restrictions. Based on discussion with management in the 2020 audit, it was determined that these funds need to be reclassified in prior years to net assets with donor restrictions. The above reclassifications had no effect on the previously reported net assets available to the Association. The above reclassifications have been made in the prior year's financial statements to conform to the current year presentation of the financial statements.