



*Reports of Independent Auditors and
Financial Statements with Supplementary Information*

**Presidio Gate Apartments, Inc.
(a California Nonprofit Public Benefit Corporation)
HUD Project No: 121-EH 132-NP-WAH-L8**

March 31, 2021 and 2020

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Report of Independent Auditors

To the Board of Directors
Presidio Gate Apartments, Inc.
(a California Nonprofit Public Benefit Corporation)

Report on the Financial Statements

We have audited the accompanying financial statements of Presidio Gate Apartments, Inc. (a California nonprofit public benefit corporation) (the “Project”), HUD Project No. 121-EH 132-NP-WAH-L8, which comprise the statements of financial position as of March 31, 2021 and 2020, and the related statements of activities and changes in net assets, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Presidio Gate Apartments, Inc., as of March 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information Required by HUD and Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 17 to 27 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards shown on page 29 as required by Title 2 *U.S. Code of Federal Regulations* ("CFR") Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), is presented for purposes of additional analysis and is 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 our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2021, on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project's internal control over financial reporting and compliance.

Moss Adams LLP

San Francisco, California
June 29, 2021

Financial Statements

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Statements of Financial Position
March 31, 2021 and 2020

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 139,682	\$ 306,212
Accounts receivable	312	312
Prepaid expenses	43,763	33,503
Total current assets	<u>183,757</u>	<u>340,027</u>
TENANT SECURITY DEPOSITS	<u>18,051</u>	<u>18,379</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Replacement reserves	386,673	340,317
Residual receipts	306,308	252,784
Segregated repair reserves	1,029,741	1,028,491
Restricted deposits	57,884	57,859
Other reserves	49,424	44,527
Total restricted deposits and funded reserves	<u>1,830,030</u>	<u>1,723,978</u>
PROPERTY AND EQUIPMENT		
Land	509,575	509,575
Buildings	4,622,591	4,584,607
Building equipment	1,111,931	1,111,931
Furnishings	31,926	31,926
Office equipment	290,062	195,495
Motor vehicles	54,054	54,054
Construction in progress	486,734	364,620
Total property and equipment, gross	<u>7,106,873</u>	<u>6,852,208</u>
Accumulated depreciation	<u>(5,058,751)</u>	<u>(4,793,337)</u>
Total property and equipment, net	<u>2,048,122</u>	<u>2,058,871</u>
OTHER ASSETS		
Development costs	<u>372,062</u>	<u>434,449</u>
TOTAL ASSETS	<u><u>\$ 4,452,022</u></u>	<u><u>\$ 4,575,704</u></u>

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Statements of Financial Position (Continued)
March 31, 2020 and 2019

	2021	2020
CURRENT LIABILITIES		
Accounts payable	\$ 2,979	\$ 170,105
Accounts payable - affiliated organizations	81,046	26,762
Accrued wages payable	41,324	40,542
Accrued interest	13,194	14,033
Mortgage payable - current portion	114,096	107,168
Total current liabilities	252,639	358,610
TENANT SECURITY DEPOSITS	18,051	18,379
LONG-TERM LIABILITIES		
Mortgage payable, net of current portion	4,566,778	4,666,475
Total long-term liabilities	4,566,778	4,666,475
Total liabilities	4,837,468	5,043,464
NET ASSETS (DEFICIT)		
Net assets without donor restrictions		
Board-designated net assets:		
Replacement reserves and residual receipts	692,981	593,101
Undesignated	(1,136,286)	(1,118,720)
Total net assets without donor restrictions	(443,305)	(525,619)
Net assets with donor restrictions	57,859	57,859
Total net deficit	(385,446)	(467,760)
TOTAL LIABILITIES AND NET DEFICIT	\$ 4,452,022	\$ 4,575,704

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Statements of Activities and Changes in Net Assets
Years Ended March 31, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and support:		
Rental income, net of vacancy loss of \$2,934 in 2021 and \$4,466 in 2020	\$ 202,661	\$ 209,485
HUD assistance income	1,131,565	1,107,296
Interest income	28,199	32,946
Laundry income and other	3,430	3,442
Total revenue and support	1,365,855	1,353,169
Expenses:		
Administrative	408,223	450,474
Utilities	92,461	83,556
Operating and maintenance	141,952	145,692
Taxes and insurance	155,567	139,192
Interest	168,616	172,122
Resident services	51,308	62,542
Depreciation	265,414	213,825
Total expenses	1,283,541	1,267,403
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	82,314	85,766
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Interest income	-	106
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	-	106
CHANGES IN NET ASSETS	82,314	85,872
NET DEFICIT, beginning of year	(467,760)	(553,632)
NET DEFICIT end of year	\$ (385,446)	\$ (467,760)

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Statements of Cash Flows
Years Ended March 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Rental receipts	\$ 1,333,914	\$ 1,316,469
Interest receipts	28,199	33,052
Other operating receipts	3,430	3,442
Total receipts	1,365,543	1,352,963
Administrative	(240,159)	(222,430)
Management fee	(50,440)	(47,772)
Utilities	(92,461)	(83,556)
Salaries and wages	(291,185)	(252,288)
Operating and maintenance	(89,259)	(107,579)
Real estate taxes	(816)	(189)
Property insurance	(52,407)	(52,180)
Miscellaneous taxes and insurance	(83,761)	(89,999)
Interest on first mortgage	(169,455)	(163,478)
Miscellaneous financial	(328)	(270,982)
Total disbursements	(1,070,271)	(1,290,453)
Cash provided by operating activities	295,272	62,510
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(254,665)	(951,433)
Cash used in investing activities	(254,665)	(951,433)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on mortgage payable	(101,413)	(107,276)
Cash used in financing activities	(101,413)	(107,276)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(60,806)	(996,199)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH beginning of year	2,048,569	3,044,768
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH end of year	\$ 1,987,763	\$ 2,048,569
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash - operations	\$ 139,682	\$ 306,212
Restricted cash - tenant security deposits	18,051	18,379
Restricted cash - restricted deposits and funded reserves	1,830,030	1,723,978
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH end of year	\$ 1,987,763	\$ 2,048,569

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Notes to Financial Statements

NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations – Presidio Gate Apartments, Inc. (the “Project”), is a California nonprofit public benefit corporation organized in 1982 under the original sponsorship of Covia Communities (“the Communities”), for the purpose of constructing and operating a senior rental housing project in San Francisco, California under Section 202 of the National Housing Act. The Project is regulated by the U.S. Department of Housing and Urban Development (“HUD”) as to rent charges and operating methods. The Project consists of 54 affordable senior housing apartments plus one resident manager’s unit. The Project generates its revenue primarily from rental income. Rental fee increases are subject to HUD approval.

Affiliated organizations – The Project, through its sole member, Covia Affordable Communities (“Affordable Communities”), a management and fundraising support organization, is affiliated with: Community Housing, Inc., which operates Lytton Gardens I and II; Lytton IV Housing Corporation; Oak Center Towers; Jennings Senior Housing, Inc.; Shires Memorial Center; and Bethany Center Senior Housing, Inc. (“BCSH”), all of which are affordable senior housing communities. Through BCSH, the Project is affiliated with Bethany Center Foundation of San Francisco. Through Affordable Communities’ sole member, Covia Group (“the Group”), a California nonprofit public benefit corporation, the Project is also affiliated with Communities which operates six life plan communities, and Covia Foundation (“the Foundation”), a fundraising and supporting organization to Communities (collectively, the “Affiliates”). All of the Affiliates are California nonprofit public benefit corporations. Some of the Affiliates share common officers, directors, and management and, at times, provide various support services to one another. The Affiliates’ financial statements are not included in the accompanying financial statements of the Project.

Basis of presentation – The financial statements have been prepared on the accrual basis of accounting, which recognizes income in the period earned and expenses when incurred, consistent with accounting principles generally accepted in the United States of America.

Cash and cash equivalents – Cash and cash equivalents includes cash on hand and cash held in demand deposit, sweep, and savings accounts, and certain investments in highly liquid instruments with original maturities of three months or less. Not included in cash and cash equivalents are funds restricted as to their use, regardless of their liquidity, such as security deposits and operating and replacement reserves.

Concentration of risk – Financial instruments potentially subjecting the Project to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation limits.

Accounts receivable – The Project receives payment from residents and HUD for services provided. The Project uses the specific write-off method to provide for doubtful accounts because past experience and management’s estimation indicates an adequate allowance for such accounts is immaterial.

Restricted deposits and funded reserves – Assets whose use is limited are funded reserves for replacement and insurance of the project. Such assets consist of cash and cash equivalents carried at fair value based on quoted market prices (Note 2).

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Notes to Financial Statements (Continued)

Segregated repair reserves – The Project refinanced its initial HUD 202 Loan with a Federal Housing Administration (“FHA”) Insured Loan under the provisions of Section 207, pursuant to Section 223(f) of the National Housing Act in June of 2013. Assets whose use is limited are funded reserves segregated for repairs of the project. Such assets consist of cash and cash equivalents carried at fair value based on quoted market prices (Note 2).

Other reserves – Assets whose use is limited are held in escrow for mortgage insurance, property tax, and property insurance of the project. Such assets consist of cash and cash equivalents carried at fair value based on quoted market prices (Note 2).

Property and equipment – Property and equipment are stated at cost. Acquisitions of \$7,500 or more and with a useful life of more than one year are capitalized. Depreciation is based upon the straight-line method at rates based on the estimated useful lives of the various classes of property which range from 3 to 40 years. The Project periodically evaluates the carrying value of its long-lived assets for impairment. Based on this evaluation, no impairment was recorded for the years ended March 31, 2021 and 2020.

Tenant security deposits – In accordance with government regulations for the Project, the Project must maintain on deposit, funds equal to the related liability for tenant security deposits. Security deposits are held in a separate interest bearing account in the name of Presidio Gate Apartments, Inc.

Development costs – Development costs consist of legal and feasibility costs incurred in preparation for capital improvements by the Project, which will be recovered upon release of segregated repair reserves with approval from HUD. As of March 31, 2021 and 2020, the Project had incurred development fees of \$372,062 and \$434,449, respectively.

Debt issuance costs – Financing costs incurred in connection with the Project's refinancing of its HUD debt are amortized over the term of the related debt using the effective interest method. Unamortized debt issuance cost amounted to \$236,277 and \$244,921 at March 31, 2021 and 2020, respectively, are reported net of mortgage payable. Amortization expense, included in interest expense, for the years ended March 31, 2021 and 2020, was \$8,644 and \$8,645, respectively.

Net assets - The Project classifies net assets as follows:

Net assets without donor restrictions represent unrestricted resources available to support the Project's operations and temporarily restricted resources which have become available for use by the Project in accordance with the intention of the donor.

Net assets with donor restrictions represent contributions that are limited in use by the Project in accordance with temporary donor-imposed stipulations or to be maintained in perpetuity. These stipulations may expire with time or may be satisfied by the actions of the Project according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions. Net assets with donor restrictions are available primarily for assistance and capital projects as designated by the donors. At March 31, 2021 and 2020, the Project had net assets with donor restrictions of \$57,859 and \$57,859, respectively. The Project expects to release these in the next fiscal year.

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Notes to Financial Statements (Continued)

Revenue recognition – Rental income is shown at its maximum gross potential. Rental income is derived from rental rates subject to HUD approval. Vacancy loss is shown as a reduction in rental income. The Project recognized revenue for services under resident agreements in accordance with the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) (*Topic 842*), *Leases*, which is recognized as the services are performed. Revenue is recognized as earned when rental are invoiced. Rental units occupied by employees are included in rental income as an expense of operations. Other income includes fees for late payments, cleaning, damages, laundry facilities, and other charges, and is recorded when earned.

Tax-exempt status – The Project is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

The Project applies the provisions of Accounting Standards Codification (“ASC”) (*Topic 740-10*), *Income Taxes*, relating to accounting for uncertain tax positions. The Project recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Project recognizes interest and penalties related to income tax matters in operating expenses. At March 31, 2021 and 2020, the Project had no unsettled tax matters.

Property taxes – The Project has filed and received an exemption from certain property taxes in accordance with Section 214 of the California Revenue and Taxation Code.

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. These estimates and assumptions 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 amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to the prior year’s financial statement to conform to the current-year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

Economic concentrations – The future operations of the Project could be affected by changes in the economic or other conditions in the geographic area of San Francisco, California or by changes in federal low-income housing subsidies or the demand for such housing.

New accounting pronouncements – In September 2020, the FASB issued Accounting Standards Update (“ASU”) No. 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization’s programs and other activities. ASU 2020-07 is effective for the Project for the fiscal year beginning April 1, 2022. Management is currently evaluating the impact of the provisions of ASU 2020-07 on the financial statements.

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Notes to Financial Statements (Continued)

NOTE 2 – RESTRICTED DEPOSITS AND FUNDED RESERVES

Replacement reserves – In accordance with the HUD regulatory agreement, the Project was initially required to make monthly deposits of \$3,409 into the replacement reserve fund. As of October 2018, this amount was increased to \$4,079. The funds are to be used for replacement and maintenance of the property. All expenditures require prior approval from HUD. The replacement reserve’s account activity for the fiscal years ended March 31, is as follows:

	2021	2020
Beginning balance at April 1,	\$ 340,317	\$ 406,194
Monthly deposits	46,003	52,969
Bank interest, net of bank fees	353	5,789
Withdrawals	-	(124,635)
	\$ 386,673	\$ 340,317

Residual receipts – The Project is required to deposit surplus cash into a separate interest-bearing account within 60 days following the fiscal year end. The funds can be used for the operating needs of the property with the prior written approval of HUD. This balance is classified as restricted cash on the statement of financial position. The residual receipt’s account activity for the fiscal years ended March 31, is as follows:

	2021	2020
Beginning balance at April 1,	\$ 252,784	\$ 252,505
Deposits	52,414	-
Bank interest, net of bank fees	1,110	279
	\$ 306,308	\$ 252,784

The required deposit to residual receipts for the years ended March 31, 2021 and 2020, was \$1,104 and \$52,414, respectively.

Segregated repair reserves – In accordance with FHA Insured Loan under the provisions of Section 207, pursuant to Section 223(f) of the National Housing Act, the Project is required to maintain deposits in a segregated repair reserve fund. The funds are to be used for replacement and maintenance of the property. All expenditures require prior approval from HUD. The segregated repair reserve’s account activity for the fiscal years ended March 31 is as follows:

	2021	2020
Beginning balance at April 1,	\$ 1,028,491	\$ 2,199,625
Withdrawals	-	(1,197,663)
Bank interest, net of bank fees	1,250	26,529
	\$ 1,029,741	\$ 1,028,491

Restricted deposits – Restricted deposits consist primarily of cash, which are restricted by the donor as to use.

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Notes to Financial Statements (Continued)

NOTE 3 – MORTGAGE PAYABLE

The Project's mortgage payable consisted of the following at March 31:

	<u>2021</u>	<u>2020</u>
Mortgage loan payable insured by the FHA under the provisions of Section 207, pursuant to Section 223(f) of the National Housing Act, dated June 1, 2013, with an initial term of 35 years, secured by a first deed of trust on real property, bearing interest of 3.22% per annum. Principal and interest are payable in monthly installments of \$22,563, due in full on June 1, 2048.	\$ 4,917,151	\$ 5,018,564
Current portion of mortgage payable	(114,096)	(107,168)
Debt issuance costs, net of amortization	<u>(236,277)</u>	<u>(244,921)</u>
Total mortgage payable, net of current portion	<u>\$ 4,566,778</u>	<u>\$ 4,666,475</u>

Scheduled maturities for the above debt are as follows:

<u>Year Ending March 31,</u>	
2022	\$ 114,096
2023	117,824
2024	121,675
2025	125,651
2026	129,757
Thereafter	<u>4,308,148</u>
	<u>\$ 4,917,151</u>

NOTE 4 – HOUSING ASSISTANCE PAYMENTS PROGRAM CONTRACT

On September 12, 1984, the Project entered into a Section 8 Housing Assistance Payments ("HAP") Program Contract with HUD for 54 units. The contract was most recently renewed on October 1, 2013, and is effective for 20 years from the date of renewal. HAP program revenue totaled \$1,131,565 and \$1,107,296 for the years ended March 31, 2021 and 2020, respectively.

NOTE 5 – RELATED-PARTY TRANSACTIONS

The Project has entered into a service agreement with Affordable Communities to provide certain administrative, accounting, fundraising, and other general management services and the employment of personnel on a shared basis. The Project incurred \$1,138,191 and \$493,555 of shared costs during the years ended March 31, 2021 and 2020, respectively. Of this amount, \$81,046 and \$26,762 are included in accounts payable – affiliated organizations at March 31, 2021 and 2020, respectively.

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Notes to Financial Statements (Continued)

NOTE 6 – COMMITMENTS AND CONTINGENCIES

HUD restrictions – In connection with the HUD agreements, there are certain restrictions on occupancy of the units which include maximum income limitations and maximum rents chargeable. These agreements also require the maintenance of security deposits and replacement reserves which are to be held by the mortgagee (Notes 1 and 2).

Employee benefit plan – The Project has implemented a 403(b) tax deferred annuity plan (the “Plan”) through Affordable Communities. Eligible employees who have satisfied the age and service requirements are allowed to make salary reduction contributions with a maximum contribution of up to the statutory limit. Affordable Communities pays for all the administrative expenses to operate the Plan. Effective August 1, 2018, Affordable Communities amended the Plan, terminating the employer match and adopting a 10% employer 403(b) contribution to the employee’s individual plan accounts in accordance with HUD Notice H 5-08 across all Affordable Communities projects. Employees are not required to contribute and certain age and service requirements apply. The Project’s contribution for the years ended March 31, 2021 and 2020, totaled \$30,296 and \$27,113, respectively.

Litigation – The Project is aware of certain asserted and unasserted legal claims. While the outcome cannot be determined at this time, it is management’s opinion that the liability, if any, from these actions will not have a material adverse effect on the Organization’s financial position.

COVID-19 – In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations, including the Project’s. It is not possible for the Project to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the Project’s operations and financial results at this time.

NOTE 7 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year, comprise of the following as of March 31:

	2021	2020
Cash and cash equivalents	\$ 139,682	\$ 306,212
Accounts receivable	312	312
	\$ 139,994	\$ 306,524

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Project has a goal to maintain a current ratio greater than 1:1 in order to meet general expenditures, liabilities, and other obligations as they come due. As part of the Project’s liquidity management plan, Affordable Communities will provide for shortfalls in liquidity if necessary.

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Notes to Financial Statements (Continued)

NOTE 8 – FUNCTIONAL EXPENSES

The costs of providing residential services and supporting activities are summarized on a functional basis as follows:

	Year Ended March 31, 2021		
	Residential Services	General and Administrative	Total
Salaries and benefits	\$ 135,933	\$ 238,750	\$ 374,683
Supplies	11,242	3,846	15,088
Other purchased services	-	27,247	27,247
Repairs and maintenance	51,861	5,762	57,623
Utilities	78,161	14,300	92,461
Depreciation and amortization	238,871	26,543	265,414
Other	347,451	103,574	451,025
	<u>\$ 863,519</u>	<u>\$ 420,022</u>	<u>\$ 1,283,541</u>

	Year Ended March 31, 2020		
	Residential Services	General and Administrative	Total
Salaries and benefits	\$ 131,457	\$ 223,618	\$ 355,075
Supplies	7,553	2,813	10,366
Other purchased services	-	77,504	77,504
Repairs and maintenance	57,035	6,337	63,372
Utilities	69,745	13,811	83,556
Depreciation and amortization	192,442	21,383	213,825
Other	374,437	89,268	463,705
	<u>\$ 832,669</u>	<u>\$ 434,734</u>	<u>\$ 1,267,403</u>

Salaries and benefits are allocated based on time and effort. All other expenses are allocated based on direct costs. Costs not directly attributable to a function, including depreciation, interest and other occupancy costs, are allocated to a function based on a square footage or units of service basis.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Project recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Project's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements were available to be issued.

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Notes to Financial Statements (Continued)

On June 1, 2020, the Board of Directors for Front Porch, Covia Communities and Covia Group voted to affiliate. The affiliation was approved and completed on April 1, 2021.

The Project has evaluated events and transactions through June 29, 2021, which is the date the financial statements were available to be issued.

Supplementary Information Required by HUD

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Balance Sheet Data
March 31, 2021

Account	Description	Value
1120	Cash - operations	\$ 139,682
1130	Tenant Accounts Receivable	312
1200	Prepaid expenses	43,763
1100T	Total current assets	<u>183,757</u>
1191	Tenant/patient deposits - held in trust	<u>18,051</u>
1320	Replacement reserve	386,673
1330	Other reserves	<u>1,137,049</u>
	Details - Other reserves	
	1330-005 - Description - Reserves - Segregated repair	
	1330-010 - Amount	\$ 1,029,741
	1330-005 - Description - Restricted deposits	
	1330-010 - Amount	\$ 57,884
	1330-005 - Description - Miscellaneous reserves	
	1330-010 - Amount	\$ 49,424
1340	Residual receipts reserve	<u>306,308</u>
1300T	Total deposits	<u>1,830,030</u>
1410	Land	509,575
1420	Buildings	4,622,591
1440	Building equipment (portable)	1,111,931
1460	Furnishings	31,926
1465	Office furniture and equipment	290,062
1480	Motor vehicles	54,054
1490	Miscellaneous fixed assets	<u>486,734</u>
	Details - Miscellaneous fixed assets	
	1490-005 - Description - Construction in progress	
	1490-010 - Amount	\$ 486,734
1400T	Total fixed assets	<u>7,106,873</u>
1495	Accumulated depreciation	<u>(5,058,751)</u>
1400N	Net fixed assets	<u>2,048,122</u>
1590	Miscellaneous other assets	372,062
	Detail - Miscellaneous other assets	
	1590-010 - Description - Development costs	
	1590-020 - Amount	\$ 372,062
1500T	Total other assets	<u>372,062</u>
1000T	Total assets	<u><u>\$ 4,452,022</u></u>

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Balance Sheet Data (Continued)
March 31, 2021

Account	Description	Value
2110	Accounts payable - operations	\$ 2,979
2120	Accrued wages payable	41,043
2121	Accrued payroll taxes payable	281
2131	Accrued interest payable - first mortgage	13,085
2150	Accrued property taxes	109
2170	Mortgage payable - first mortgage (short-term)	114,096
2190	Miscellaneous current liabilities	<u>81,046</u>
	Details - Miscellaneous current liabilities	
	2190-010 - Description - Accounts payable - affiliated organizations	
	2190-020 - Amount	\$ 81,046
2122T	Total current liabilities	<u>252,639</u>
2191	Tenant/patient deposits held in trust (contra)	<u>18,051</u>
2320	Mortgage payable - first mortgage	<u>4,566,778</u>
2300T	Total long-term liabilities	<u>4,566,778</u>
2000T	Total liabilities	<u>4,837,468</u>
3131	Net assets without donor restrictions	(443,305)
3133	Net assets with donor restrictions	<u>57,859</u>
3130	Total net assets	<u>(385,446)</u>
2033T	Total liabilities and equity/net assets	<u><u>\$ 4,452,022</u></u>

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Profit and Loss Data
Year Ended March 31, 2021

Account	Description	Value
REVENUES		
5120	Rent revenue - gross potential	\$ 205,595
5121	Tenant assistance payments	1,131,565
5100T	Total rent revenue	1,337,160
5220	Apartments	2,934
5200T	Total vacancies	2,934
5152N	Net rental revenue	1,334,226
5410	Financial revenue - project operations	1,184
5440	Revenue from investments - replacement reserve	435
5490	Revenue from investments - miscellaneous	26,580
	Detail - Miscellaneous revenue from investments	
	5490-010 - Description - Segregated repair account	
	5490-020 - Amount	\$ 26,580
5400T	Total financial revenue	28,199
5910	Laundry and vending revenue	3,430
5900T	Total other revenue	3,430
5000T	Total revenue	1,365,855

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Profit and Loss Data (Continued)
Year Ended March 31, 2021

Account	Description	Value
EXPENSES		
6310	Office salaries	\$ 291,967
6311	Office expenses	151,150
6320	Management fee	50,440
6350	Audit expense	16,956
6351	Bookkeeping fees/accounting services	17,253
6370	Bad debts	472
6390	Miscellaneous administrative expenses	<u>4,462</u>
	Details - Miscellaneous administrative expenses	
	6390-010 - Description - Miscellaneous expenses	
	6390-020 - Amount	\$ 4,462
6263T	Total administrative expenses	<u>532,700</u>
6450	Electricity	18,530
6451	Water	24,106
6452	Gas	15,194
6453	Sewer	<u>34,631</u>
6400T	Total utilities expense	<u>92,461</u>
6515	Supplies	27,006
6520	Contracts	39,143
6525	Garbage and trash removal	17,344
6546	Heating/cooling repairs and maintenance	<u>5,766</u>
6500T	Total operating and maintenance expenses	<u>89,259</u>
6710	Real estate taxes	653
6711	Payroll taxes (Project's share)	22,054
6720	Property and liability insurance (hazard)	50,677
6722	Workers' compensation	30
6723	Health insurance and other employee benefits	60,421
6790	Miscellaneous taxes, licenses, permits and insurance	<u>1,256</u>
	Details - Miscellaneous taxes, licenses, permits and insurance	
	6790-010 - Description - Other taxes, licenses, and permits	
	6790-020 - Amount	\$ 1,256
6700T	Total taxes and insurance	<u>135,091</u>
6820	Interest on first mortgage payable	<u>168,616</u>
6800T	Total financial expenses	<u>168,616</u>

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Profit and Loss Data (Continued)
Year Ended March 31, 2021

Account	Description	Value
6000T	Total cost of operations before depreciation	\$ 1,018,127
5060T	Profit before depreciation	347,728
6600	Depreciation expenses	265,414
5060N	Operating profit or (loss)	<u>\$ 82,314</u>
3247	Change in net assets without donor restrictions	\$ 82,314
3249	Change in net assets with donor restrictions	-
3250	Change in total assets from operations	<u>\$ 82,314</u>
S1000-010	Total first mortgage (or bond) principal payments required during the audit period (usually 12 months). This applies to all direct loans, HUD-held and HUD-insured first mortgages.	<u>\$ 101,413</u>
S1000-020	The total of all monthly reserves for replacement deposits (usually 12 months) required during the audit period even if deposits have been temporarily waived or suspended.	<u>\$ 46,003</u>
Account	Description	Value
S1100-060	Previous year net assets without donor restrictions	\$ (525,619)
3247	Change in net assets without donor restrictions	82,314
3131	Net assets without donor restrictions	<u>(443,305)</u>
S1100-080	Previous year net assets with donor restrictions	57,859
3249	Change in net assets with donor restrictions	-
3133	Net assets with donor restrictions	<u>57,859</u>
S1100-050	Previous year total net assets	(467,760)
3250	Change in total net assets from operations	82,314
3130	Total net assets	<u>\$ (385,446)</u>

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Statement of Cash Flows Data
Year Ended March 31, 2021

Account	Description	Value
CASH FLOWS FROM OPERATING ACTIVITIES		
S1200-010	Rental receipts	\$ 1,333,914
S1200-020	Interest receipts	28,199
S1200-030	Other operating receipts	<u>3,430</u>
S1200-040	Total receipts	<u>1,365,543</u>
S1200-050	Administrative	(240,159)
S1200-070	Management fee	(50,440)
S1200-090	Utilities	(92,461)
S1200-100	Salaries and wages	(291,185)
S1200-110	Operating and maintenance	(89,259)
S1200-120	Real estate taxes	(816)
S1200-140	Property insurance	(52,407)
S1200-150	Miscellaneous taxes and insurance	(83,761)
S1200-180	Interest on first mortgage	<u>(169,455)</u>
S1200-230	Total disbursements	<u>(1,069,943)</u>
S1200-240	Net cash provided by operating activities	<u>295,600</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
S1200-250	Net deposits to the reserve for replacement account	(46,356)
S1200-255	Net deposits to other reserves	(6,172)
	Detail - Net deposits to other reserves	
	S1200-256 - Description - Net deposits to segregated reserves	
	S1200-257 - Amount	\$ (1,250)
	S1200-256 - Description - Net deposits to other reserves	
	S1200-257 - Amount	\$ (4,922)
S1200-260	Net deposits to the residual receipts account	(53,524)
S1200-330	Net purchase of fixed assets	<u>(254,665)</u>
S1200-350	Net cash provided by investing activities	<u>(360,717)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
S1200-360	Principal payments - first mortgage (or bonds)	<u>(101,413)</u>
S1200-460	Net cash used in financing activities	<u>(101,413)</u>
S1200-470	Net increase in cash and cash equivalents	(166,530)
S1200-480	Beginning of period cash and cash equivalents	<u>306,212</u>
S1200T	End of period cash and cash equivalents	<u>\$ 139,682</u>

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Schedule of Surplus Cash
As of March 31, 2021

Account	Description	Value
S1300-010	Cash	<u>\$ 157,733</u>
S1300-040	Total cash	<u>157,733</u>
S1300-050	Accrued mortgage interest payable	13,194
S1300-075	Accounts payable - 30 days	2,979
S1300-100	Accrued expenses (not escrowed)	41,433
2191	Tenant/patient security deposits held in trust (contra)	18,051
S1300-110	Other current obligations	<u>81,046</u>
	Details - Other current obligations	
	S1300-120 - Description - Accounts payable - affiliated	
	S1300-130 - Amount	\$ 81,046
S1300-140	Total current obligations	<u>156,703</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 1,030</u>
S1300-210	Deposit due residual receipts	<u>\$ 1,030</u>

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Schedule of Changes in Fixed Asset Accounts
Year Ended March 31, 2021

Account	Description	Value
1410P	Beginning balance for 1410	\$ 509,575
1410	Land	<u>509,575</u>
1420P	Beginning balance for 1420	4,393,607
1420AT	Additions for 1420	<u>228,984</u>
	Details - additions for 1420	
	1420A-010 - Items purchased - Unit improvements	
	1420A-030 - Total amount	\$ 37,984
	1420A-010 - Reclassified - Transfer from furniture for project/tenant use	
	1420A-030 - Total amount	\$ 191,000
1420	Buildings	<u>4,622,591</u>
1440P	Beginning balance for 1440	1,111,931
1440	Building equipment (portable)	<u>1,111,931</u>
1450P	Beginning balance for 1450	191,000
1450DT	Deductions for 1450	<u>(191,000)</u>
	Details - deductions for 1450	
	1450A-010 - Reclassified - Transfer to office equipment	
	1450A-030 - Total amount	\$ (191,000)
1450	Furniture for project/tenant use	<u>-</u>

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Schedule of Changes in Fixed Asset Accounts (Continued)
Year Ended March 31, 2021

Account	Description	Value
1460P	Beginning balance for 1460	31,926
1460	Furnishings	<u>31,926</u>
1465P	Beginning balance for 1465	195,495
1465AT	Additions for 1465	<u>94,567</u>
	Details - deductions for 1465	
	1465A-010 - Reclassified -Computer hardware	
	1465A-030 - Total amount	\$ 54,730
	1465A-010 - Reclassified -Computer software	
	1465A-030 - Total amount	\$ 39,837
1465	Office furniture and equipment	<u>290,062</u>
1480P	Beginning balance for 1480	54,054
1480	Motor vehicles	<u>54,054</u>
1490P	Beginning balance for 1490	364,620
1490AT	Additions for 1490	<u>215,800</u>
	Details - additions for 1490	
	1490A-010 - Reclassified - Construction in progress	
	1490A-030 - Total amount	\$ 215,800
1490DT	Deductions for 1490	<u>(93,686)</u>
	Details - deductions for 1490	
	1490A-010 - Reclassified - Construction in progress	
	1490A-030 - Total amount	\$ (93,686)
1490	Miscellaneous fixed assets	<u>486,734</u>

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Schedule of Changes in Fixed Asset Accounts (Continued)
Year Ended March 31, 2021

Account	Description	Value
1400PT	Total beginning balance for fixed assets	\$ 6,852,208
1400AT	Total asset additions	<u>539,351</u>
1400 DT	Total asset deductions	<u>(284,686)</u>
1400T	Total fixed assets	<u>7,106,873</u>
1495P	Beginning balance for 1495	4,793,337
6600	Total provisions	<u>265,414</u>
1495	Ending balance for accumulated depreciation	<u>5,058,751</u>
1400N	Total net book value	<u>\$ 2,048,122</u>

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Schedule of Reserve Accounts
Year Ended March 31, 2021

RESERVE FOR REPLACEMENT

<u>Account</u>	<u>Description</u>	<u>Value</u>
1320P	Balance at beginning of year	\$ 340,317
1320DT	Total monthly deposits	46,003
1320INT	Interest on replacement reserve accounts	<u>353</u>
1320	Balance at end of year, confirmed by mortgagee	<u><u>\$ 386,673</u></u>
1320R	Deposits suspended or waived indicator	N

RESIDUAL RECEIPTS

<u>Account</u>	<u>Description</u>	<u>Value</u>
1340P	Balance at beginning of year	\$ 252,784
1340DT	Total deposits	52,414
1340INT	Interest on residual receipt accounts	<u>1,110</u>
1340	Balance at current fiscal year end	<u><u>\$ 306,308</u></u>

Supplementary Information

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development ("HUD") Mortgage Issuance for the Purchase or Refinancing of Existing Multifamily Housing Projects Project No. 121-EH 132-NP-WAH-L8 Outstanding mortgage balance with continuing compliance requirements, beginning balance	14.155	\$ 5,018,564
Section 8 Project-Based Cluster Section 8 Housing Assistance Payment Program	14.195	<u>1,131,565</u>
Total Direct Expenditures of Federal Awards		<u>\$ 6,150,129</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of presentation – The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant and loan activity of the Project under programs of the federal government for the year ended March 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Project, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Project.

Summary of significant accounting policies – Expenditures in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, and the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Subrecipients – The Project did not provide any federal awards to subrecipients during the year ended March 31, 2021.

Indirect costs – The Project has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Loan balance – The federal loan program is administered directly by the Project, and balances and transactions relating to this program are included in the Project's basic financial statements. Loans outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at March 31, 2021, was \$4,917,151.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Presidio Gate Apartments, Inc.
(a California Nonprofit Public Benefit Corporation)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Presidio Gate Apartments, Inc. (a California nonprofit public benefit corporation) (the "Project"), HUD Project No. 121-EH 132-NP-WAH-L8, which comprise the statement of financial position as of March 31, 2021, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

San Francisco, California
June 29, 2021

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance

To The Board of Directors
Presidio Gate Apartments, Inc.
(a California Nonprofit Public Benefit Corporation)

Report on Compliance for the Major Federal Program

We have audited Presidio Gate Apartments, Inc.'s (a California nonprofit public benefit corporation) (the "Project"), HUD Project No. 121-EH 132-NP-WAH-L8, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Project's major federal program for the year ended March 31, 2021. The Project's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Project's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Project's compliance.

Opinion on The Major Federal Program

In our opinion, the Project complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2021.

Report on Internal Control Over Compliance

Management of the Project is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Project's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

San Francisco, California
June 29, 2021

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Schedule of Findings and Questioned Costs
Year Ended March 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)? Yes No

Identification of Major Federal Programs and Type of Auditor's Report Issued on Compliance for Major Federal Programs:

<i>Assistance Listing Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
14.155	Mortgage Issuance for the Purchase or Refinancing of Existing Multifamily Housing Projects	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Summary Schedule of Prior Audit Findings
Year Ended March 31, 2021

There are no prior audit findings to report on.

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Mortgagor's Certification
Year Ended March 31, 2021

Account	Description	Value
		We hereby certify that we have examined the accompanying financial statements and supplemental data and to the best of our knowledge and belief, the same is complete and accurate.
S2900-010	Narrative	
S2900-020	Name of signatory #1	Ronald Schaefer
S2900-025	Title of certifying official #1	Chief Operating Officer
S2900-030	Name of Signatory #2	Jonathan Casey
S2900--035	Title of certifying official #2	Vice President of Finance for Affordable Housing
S2900-040	Auditee telephone number	(925) 956-7400
S2900-050	Date of certification	June 29, 2021
S2900-080	Auditee name	Presidio Gate Apartments, Inc.
S2900-090	Auditee street address line 1	2185 N. California Blvd., #215
S2900-110	Auditee city	Walnut Creek
S2900-120	Auditee state	CA
S2900-130	Auditee zip code	94596
S2900-150	Auditee contact name	Jonathan Casey
S2900-160	Auditee contact title	Vice President of Finance for Affordable Housing
S2900-170	Auditee contact FAX number	(925) 407-0060
S2900-180	Auditee contact e-mail	jc Casey@covia.org

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Managing Agent's Certification
Year Ended March 31, 2021

Account	Description	Value
		We hereby certify that we have examined the accompanying financial statements and supplemental data and to the best of our knowledge and belief, the same is complete and accurate.
S3000-010	Narrative	
S3000-020	Name of managing agent	Covia Affordable Communities
S3000-030	Name of signatory	Ronald Schaefer
S3000-040	Name of agent TIN	94-2264235
S3000-050	Name of individual (i.e., Property Manager)	Marlin Lathrop

Presidio Gate Apartments, Inc.
HUD Project No. 121-EH 132-NP-WAH-L8
Transmittal Letter of Auditor
Year Ended March 31, 2021

Account	Description	Value
S3200-005	Audit firm ID (UII)	71370
S3200-010	Audit firm	Moss Adams LLP - Sacramento
S3200-020	Lead auditor first name	Brian
S3200-030	Lead auditor middle name	P
S3200-040	Lead auditor last name	Conner
S3200-045	Auditor contact title	Partner
S3200-050	Auditor street address line 1	2882 Prospect Park Drive
S3200-050	Auditor street address line 2	Suite 300
S3200-070	Auditor city	Rancho Cordova
S3200-080	Auditor state	CA
S3200-090	Auditor zip code	95670
S3200-100	Auditor zip code extension	6059
S3200-110	Telephone number	(205) 955-6114
S3200-120	Auditor firm TIN	91-0189318
S3200-130	Date of independent Auditor's report	June 29, 2021
S3200-140	Auditor contact FAX number	(205) 955-6199
S3200-150	Auditor contact e-mail	brian.conner@mossadams.com

