

KEY COMMUNITY HOUSING, INC.

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14

## INDEPENDENT AUDITOR'S REPORT

To the Governing Board  
Key Community Housing, Inc.  
Pasadena, California

We have audited the accompanying financial statements of Key Community Housing, Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessing 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 Key Community Housing, Inc. as of December 31, 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.

***Report on Summarized Comparative Information***

The financial statements of Key Community Housing, Inc., for the year ended December 31, 2019 were audited by others accountants, whose report dated March 27, 2020, expressed an unmodified audit opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink, reading "Gordon Armstrong". The signature is written in a cursive style with a large initial "G".

June 11, 2021  
Pasadena, California

KEY COMMUNITY HOUSING, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

ASSETS		December 31,	
		2020	2019
CURRENT ASSETS			
Cash	\$	968,514	\$ 940,910
Cash - restricted		15,000	15,000
Accounts receivable		2,610	-
Total current assets		986,124	955,910
PROPERTY AND EQUIPMENT - NET		7,976,339	8,053,389
OTHER ASSETS			
Security deposits		905	-
Escrow deposits		-	8,932
Total other assets		905	8,932
TOTAL ASSETS	\$	<u>8,963,368</u>	<u>\$ 9,018,231</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	130	\$ -
Deferred rent		42,386	40,766
Funds held in trust		15,000	15,000
Tenant deposits		86,977	83,786
Notes payable - current portion		124,454	119,239
Total current liabilities		268,947	258,791
LONG-TERM LIABILITIES			
Notes payable - less current portion		4,468,815	4,602,977
TOTAL LIABILITIES		4,737,762	4,861,768
NET ASSETS			
Without donor restriction		4,225,606	4,156,463
TOTAL NET ASSETS		4,225,606	4,156,463
TOTAL LIABILITIES AND NET ASSETS	\$	<u>8,963,368</u>	<u>\$ 9,018,231</u>

The accompanying notes are an integral part of this statement.

KEY COMMUNITY HOUSING, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Years ended December 31,	
	2020	2019
SUPPORT AND REVENUE		
Lease income	\$ 675,995	\$ 668,193
Property management revenue	36,900	36,000
Other property revenues	691	9,272
Grant revenue	1,943	353,977
Interest income	1,328	224
Total support and revenue	<u>716,857</u>	<u>1,067,666</u>
EXPENSES		
Program services	558,225	623,514
Management and general	<u>89,489</u>	<u>40,545</u>
Total expenses	<u>647,714</u>	<u>664,059</u>
CHANGE IN NET ASSETS	69,143	403,607
NET ASSETS AT BEGINNING OF YEAR	<u>4,156,463</u>	<u>3,752,856</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,225,606</u>	<u>\$ 4,156,463</u>

The accompanying notes are an integral part of this statement.

KEY COMMUNITY HOUSING, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Years ended December 31,			
	2020			2019
	Program services	Management and general	Total	Total
PERSONNEL EXPENSES				
Salaries	\$ 82,284	\$ 30,933	\$ 113,217	\$ 78,941
Payroll taxes and employee benefits	6,820	6,338	13,158	9,732
Total personnel expenses	89,104	37,271	126,375	88,673
OTHER EXPENSES				
Insurance	20,009	-	20,009	22,170
Interest expense	268,270	-	268,270	293,233
Office expenses	-	9,920	9,920	3,229
Office lease	-	31,626	31,626	23,269
Professional fees	-	8,270	8,270	8,030
Real estate taxes	3,466	-	3,466	2,500
Repairs and maintenance	34,644	-	34,644	53,921
Telephone	-	1,914	1,914	2,390
Miscellaneous expense	3,015	488	3,503	29,382
Total other expenses	329,404	52,218	381,622	438,124
Depreciation	139,717	-	139,717	137,262
TOTAL EXPENSES	\$ 558,225	\$ 89,489	\$ 647,714	\$ 664,059

The accompanying notes are an integral part of this statement.

KEY COMMUNITY HOUSING, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	\$ 69,143	\$ 403,607
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	139,717	137,262
Changes in operating assets and liabilities:		
Accounts receivable	(2,610)	312
Security deposits	(905)	1,410
Escrow deposits	8,932	(8,932)
Accounts payable	130	3,188
Deferred rent	1,620	40,766
Funds held in trust	-	(77,123)
Tenant deposits	<u>3,191</u>	<u>-</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>219,218</u>	<u>500,490</u>
CASH USED FOR INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(62,667)</u>	<u>-</u>
CASH USED FOR FINANCING ACTIVITIES		
Principal payments on notes payable	<u>(128,947)</u>	<u>(385,732)</u>
NET INCREASE IN CASH	27,604	114,758
CASH AT BEGINNING OF YEAR	<u>955,910</u>	<u>841,152</u>
CASH AT END OF YEAR	\$ <u><u>983,514</u></u>	\$ <u><u>955,910</u></u>
SUMMARY OF CASH AT END OF YEAR:		
Cash	\$ 968,514	\$ 940,910
Cash - restricted	<u>15,000</u>	<u>15,000</u>
Total cash	\$ <u><u>983,514</u></u>	\$ <u><u>955,910</u></u>
CASH PAID DURING THE YEAR FOR:		
INTEREST	\$ 268,270	\$ 293,233
TAXES	\$ -	\$ -

The accompanying notes are an integral part of this statement.

KEY COMMUNITY HOUSING, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

ORGANIZATION

Key Community Housing, Inc. (the Organization), is a community-based organization established to provide affordable housing opportunities for the developmentally disabled consumers of Eastern Los Angeles Regional Center (ELARC).

The Organization was originally funded by ELARC, which is one of the twenty-one regional centers created by the California Department of Developmental Services to implement the goals and objectives of the Lanterman Act.

The Organization is designed to create awareness of the lack of affordable housing for low-income individuals through outreach activities to attract partnerships that leverage private and public resources.

The Organization may acquire, rehab, manage and construct affordable housing to address the ongoing needs of the consumers and their families.

The Organization is committed to being the catalyst for addressing the lack of safe, affordable and accessible housing for community members with very low incomes and with special needs through collaborative partnerships that create and maintain affordable housing options which give people opportunities to live in a home of their own choice. The Organization achieves its mission through the following programs:

- Housing development
- Rental/lease
- Property management
- Outreach and education

The Organization is pleased to announce another successful year as homeowners of the fully occupied eleven housing development projects. The Organization has worked diligently in responding to the housing crisis in Southern California for individuals with developmental disabilities. It has worked meticulously to fulfill the roles and responsibilities that have been entrusted to it in order to make our projects an ongoing success for all parties involved. The Organization continues to work closely with the service providers to create a responsive property management program that has ensured that our homes are safe, comfortable, high-quality residences for the consumers and their families, and meet all licensing requirements.

The Organization owns eleven housing development projects. These homes include 3626 Brookline Ave., 2315 Stranahan Dr., 15319 Barnwall St., 6034 N. Vista St., 5029 Halifax Rd., 10915 Larrylyn Dr., 610 De Sales St., 5116 Doreen Ave., 14858 Janine Dr., 9620 La Cima Dr., and lastly 15041 Los Lotes Ave. All homes were issued building permits by their respective cities.

The Organization has provided homes to 46 community members with special housing needs. The Organization continues to commit to creating a solution to the lack of safe, affordable, and accessible housing for community members with very low incomes and special health care needs.

With the successful completion of all eleven housing development projects, the Organization will continue to create awareness for the lack of affordable housing for individuals with developmental disabilities through outreach activities to attract partnerships that leverage private and public resources.



KEY COMMUNITY HOUSING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

ORGANIZATION (continued)

The Organization will continue to grow by purchasing more single-family homes in the near future and continuing to address the housing crisis in Southern California for individuals with developmental disabilities.

LIQUIDITY

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

Cash	\$	968,514
Accounts receivable		<u>2,610</u>
Net assets available for operations	\$	<u><u>971,124</u></u>

SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Certain prior year amounts for comparative totals have been reclassified to conform with current year presentation. A summary of significant accounting policies is described below:

**CASH**

Liquid assets having a maturity of three months or less are included as cash.

**PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost and are depreciated using the straight-line method over estimated useful lives of 5 to 40 years. Maintenance and repairs are expensed in the year they are incurred and renewals and betterments greater than \$1,000 are capitalized. Property that is expected to wholly retain its value or appreciate over time is not depreciated.

**BASIS OF PRESENTATION**

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction, as described below:

Without donor restriction, includes funds which are expendable for the support of the Organization's operations.

With donor restriction may include funds which donors have restricted for specific purposes or funds that are subject to specific timetables. As of December 31, 2020, there were no net assets with donor restriction.

KEY COMMUNITY HOUSING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

Effective January 1, 2020, the Organization adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in GAAP. The new guidance requires the Organization to recognize revenue to depict the transfer of 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 new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this new guidance was done using the modified retrospective method. The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606 while prior period amounts are not adjusted and continue to be reported in accordance with legacy GAAP.

There was no significant effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to net assets at the date of adoption under the modified retrospective method.

The Organization's material revenue-generating activities and related accounting policies are as follows:

*Lease Income*

The Organization derives lease income from the rental of real property under various operating lease agreements. Lease income is recognized ratably on a monthly basis over the terms of the various lease agreements. Rental payments received in advance are deferred until earned (see DEFERRED REVENUE).

*Contributions and Grants*

Contributions and grants are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets is transferred to the Organization.

All donations received are considered available for unrestricted use unless restricted by the donor. The Organization records contributions as with donor restriction if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Non-cash contributions received (gifts-in-kind) are recorded at fair market value when they are significant in amount and when there is a reasonable basis for valuation.

KEY COMMUNITY HOUSING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

DONATED SERVICES

GAAP requires the value of donated services be recorded if those donated services create or enhance nonfinancial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to activities of the Organization. However, since the above requirements were not met for these volunteers, the value of the contributed services is not recorded in the accompanying financial statements.

INCOME TAXES

The Organization operates as a California nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes; accordingly, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting.

GAAP provide accounting disclosure guidance regarding positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel expenses, office and occupancy, which are allocated on a basis of time and efforts.

RESTRICTED CASH/FUNDS HELD IN TRUST

The Organization acts as the fiscal intermediary/service provider that holds and manages the funds for ELARC's micro business loan program. The Organization also provides enhanced opportunities for employment/micro-enterprise business services for transition age consumers and adult consumers within their communities. The Organization transfers funds according to the direction of ELARC. The funds are restricted until all funds are disbursed or the program is complete.

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31,	
	2020	2019
Buildings	\$ 4,482,802	\$ 4,482,802
Land	3,739,637	3,739,637
Building improvements	1,070,342	1,007,674
Furniture and equipment	-	7,850
	9,292,781	9,237,963
Less accumulated depreciation	(1,316,442)	(1,184,574)
Property and equipment - net	\$ 7,976,339	\$ 8,053,389

KEY COMMUNITY HOUSING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

PROPERTY AND EQUIPMENT (continued)

	December 31,	
	<u>2020</u>	<u>2019</u>
Property and equipment - net	\$ 7,976,339	\$ 8,053,389
Less debt secured by property	<u>(4,593,269)</u>	<u>(4,722,216)</u>
Net investment in property and equipment	\$ <u>3,383,070</u>	\$ <u>3,331,173</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$139,717 and \$137,262 respectively.

DEFERRED RENT

The Organization records deferred revenues when advance rent payments are received prior to being earned. Deferred revenue for the years ended December 31, 2020 and 2019 was as follows:

Deferred rent, December 31, 2018	\$ -
Advance rent payments received	<u>40,766</u>
Deferred revenue, December 31, 2019	40,766
Previously deferred revenue recognized	(40,766)
Advance rent payments received	<u>42,386</u>
Deferred revenue, December 31, 2020	\$ <u>42,386</u>

NOTES PAYABLE

At December 31, 2020, the Organization had the following loan balances:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Note secured by property in Whittier California; bearing interest at a rate of 3.0% per annum; monthly principal and interest payments of \$3,322; maturing October 2034	\$ 26,753	\$ 422,366	\$ 449,119
Note secured by property in Whittier California; bearing interest at a rate of 3.0% per annum; monthly principal and interest payments of \$3,439; maturing October 2034	27,692	437,505	465,197

KEY COMMUNITY HOUSING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTES PAYABLE (continued)

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Note secured by property in Alhambra California; bearing interest at a rate of 6.5% per annum; monthly principal and interest payments of \$3,439; maturing October 2034	\$ 6,676	\$ 305,138	\$ 311,814
Note secured by property in Alhambra California; bearing interest at a rate of 6.5% per annum; monthly principal and interest payments of \$3,439; maturing October 2034	8,119	371,106	379,225
Note secured by property in San Gabriel California; bearing interest at a rate of 6.5% per annum; monthly principal and interest payments of \$2,810; maturing October 2043	8,588	392,571	401,159
Note secured by property in La Mirada California; bearing interest at a rate of 6.5% per annum; monthly principal and interest payments of \$2,261; maturing October 2043	6,912	315,897	322,809
Note secured by property in Temple City California; bearing interest at a rate of 6.5% per annum; monthly principal and interest payments of \$3,094; maturing October 2043	9,456	432,250	441,706
Note secured by property in Whittier California; bearing interest at a rate of 6.5% per annum; monthly principal and interest payments of \$2,142; maturing October 2043	6,546	299,379	305,925
Note secured by property in San Gabriel California; bearing interest at a rate of 6.5% per annum; monthly principal and interest payments of \$2,656; maturing March 2044	2,324	465,789	468,113

KEY COMMUNITY HOUSING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

NOTES PAYABLE (continued)

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Note secured by property in Temple City California; bearing interest at a rate of 6.5% per annum; monthly principal and interest payments of \$4,061; maturing March 2044	\$ 12,074	\$ 572,965	\$ 585,039
Note secured by property in Whittier California; bearing interest at a rate of 6.5% per annum; monthly principal and interest payments of \$3,217; maturing March 2044	<u>9,314</u>	<u>453,849</u>	<u>463,163</u>
	<u>\$ 124,454</u>	<u>\$ 4,468,815</u>	<u>\$ 4,593,269</u>

The future minimum principal payments on these notes payable are as follows for December 31:

2021	\$ 124,454
2022	124,513
2023	130,801
2024	137,448
2025	144,476
Thereafter	<u>3,931,577</u>
	<u>\$ 4,593,269</u>

LEASE INCOME

The Organization leases real property at 11 locations in California. The monthly lease rates range between \$3,500 and \$6,250. The leases expire between May 2021 and March 2030.

At December 31, 2020, future minimum payments to be received are as follows:

2021	\$ 535,250
2022	429,000
2023	265,250
2024	234,000
2025	234,000
Thereafter	<u>879,000</u>
	<u>\$ 2,576,500</u>

KEY COMMUNITY HOUSING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits at financial institutions. At times, balances in the Organization's cash accounts may exceed the Federal Deposit Insurance Corporation (FDIC) limits.

RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the spread of Coronavirus disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global, national, and local markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its operations and financial results. The Organization is taking appropriate actions to mitigate the negative impact; however, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of June 11, 2021.

SUBSEQUENT EVENTS

In accordance with GAAP, the Organization has evaluated subsequent events through June 11, 2021, which is the date these financial statements were available to be issued.