

**ALBERTA STREET PRESERVATION APARTMENTS, INC,**

**FINANCIAL STATEMENTS with INDEPENDENT  
AUDITOR'S REPORT**

**For the years ended June 30, 2013 and 2012**

**ALBERTA STREET PRESERVATION APARTMENTS, INC,**

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**For the years ended June 30, 2013 and 2012**

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**Independent Auditor's Report**

To the Board of Directors  
Alberta Street Apartments Preservation, Inc.  
Portland, Oregon

**Report on the Financial Statements**

I have audited the accompanying financial statements of Alberta Street Apartments Preservation, Inc., (a non-profit corporation), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

**Auditors' Responsibility**

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

An audit includes 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 assessment, 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 Alberta Street Preservation Apartments, Inc. as of June 30, 2013, and 2012, 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 Supplementary Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown on page 11 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



November 22, 2013

**ALBERTA STREET APARTMENTS PRESERVATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash - operating	\$ 33,091	\$ 21,421
Tenant receivables	2,076	740
Prepaid assets	598	-
Cash - restricted	196,938	189,405
Property and equipment		
Land	41,775	41,775
Buildings and improvements	<u>625,164</u>	<u>625,164</u>
	666,939	666,939
Less accumulated depreciation	<u>(296,087)</u>	<u>(281,590)</u>
Net property and equipment	<u>370,852</u>	<u>385,349</u>
	<u>\$ 603,555</u>	<u>\$ 596,915</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 2,852	\$ 3,213
Accrued liabilities	4,739	7,376
Tenant security deposits	4,908	5,083
Prepaid rents	<u>85</u>	<u>35</u>
Total liabilities	<u>12,584</u>	<u>15,707</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	398,941	396,886
Designated	<u>192,030</u>	<u>184,322</u>
Total net assets	<u>590,971</u>	<u>581,208</u>
	<u>\$ 603,555</u>	<u>\$ 596,915</u>

See the notes to financial statements.

**ALBERTA STREET APARTMENTS PRESERVATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>REVENUE</b>		
Rental Revenue:		
Gross potential rent	\$ 122,112	\$ 120,572
Less vacancy loss	<u>(3,663)</u>	<u>(4,488)</u>
Net rental income	<u>118,449</u>	<u>116,084</u>
Other revenue:		
Interest income	241	263
Laundry and vending income	1,359	1,074
Other	<u>180</u>	<u>165</u>
Total other revenue	<u>1,780</u>	<u>1,502</u>
Total revenue	<u>120,229</u>	<u>117,586</u>
<b>OPERATING EXPENSES:</b>		
Administrative	46,255	42,653
Utilities	13,679	12,450
Repairs and maintenance	29,235	31,387
Taxes and insurance	<u>6,800</u>	<u>7,296</u>
Total operating expenses	<u>95,969</u>	<u>93,786</u>
<b>OPERATING INCOME</b>	<u>24,260</u>	<u>23,800</u>
<b>OTHER EXPENSES:</b>		
Depreciation	<u>14,497</u>	<u>14,420</u>
Total other expenses	<u>14,497</u>	<u>14,420</u>
<b>INCREASE IN NET ASSETS</b>	9,763	9,380
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>581,208</u>	<u>571,828</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 590,971</u>	<u>\$ 581,208</u>

See the notes to financial statements.

**ALBERTA STREET APARTMENTS PRESERVATION, INC.**  
**STATEMENTS OF CASH FLOW**  
**FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Rental receipts	\$ 117,163	\$ 115,213
Interest income	241	263
Other income	<u>1,539</u>	<u>1,239</u>
Total receipts	<u>118,943</u>	<u>116,715</u>
Administrative	19,626	22,612
Management fee	15,471	17,729
Utilities	13,655	12,338
Salaries and wages	14,509	14,215
Operating and maintenance	29,457	17,724
Property Insurance	3,586	1,642
Miscellaneous taxes and insurance	<u>3,261</u>	<u>3,990</u>
Total disbursements	<u>(99,565)</u>	<u>(90,250)</u>
Net cash provided by operating activities	<u>19,378</u>	<u>26,465</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reserve for insurance and taxes	(5)	(7)
Reserve for replacements	(7,686)	(8,325)
Residual receipt reserve	<u>(17)</u>	<u>(20)</u>
Net cash used by investing activities	<u>(7,708)</u>	<u>(8,352)</u>
<b>NET INCREASE IN CASH</b>	11,670	18,113
<b>CASH AT BEGINNING OF YEAR</b>	<u>21,421</u>	<u>3,308</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 33,091</u></u>	<u><u>\$ 21,421</u></u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 9,763	\$ 9,380
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	14,497	14,420
Change in:		
Accounts receivable	(1,336)	(676)
Prepaid assets	(598)	288
Accounts payable	(361)	(556)
Accrued expenses	(2,637)	3,576
Prepaid rent	<u>50</u>	<u>33</u>
Net cash provided by operating activities	<u><u>\$ 19,378</u></u>	<u><u>\$ 26,465</u></u>

See the notes to financial statements.

**ALBERTA STREET PRESERVATION APARTMENTS, INC,  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2013 and 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

Alberta Street Apartments Preservation, Inc, (Alberta) is a non-profit corporation in Portland, Oregon, formed in 1996 to purchase, rehabilitate, and maintain a 24-unit apartment building (the Project) for low-income individuals. The Project's purchase was financed under Section 236 of the National Housing Act and rehabilitation was financed by a Section 220 Capital grant under the Low Income Housing Preservation and Resident Homeownership Act of 1990, therefore rental rates and operating methods are regulated by the U.S. Department of Housing and Urban Development (HUD).

Alberta is owned by Sabin Community Development Corporation, Inc. (Sabin CDC) a not for profit organization in Portland, Oregon. Alberta's bylaws indicate that the directors of Sabin shall act as/or elect the directors of Alberta.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded as incurred.

Basis of Presentation

Alberta is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent net assets not subject to donor-imposed restrictions.
- Temporarily restricted net assets represent net assets subject to donor-imposed restrictions that may or will be met by the actions of Alberta and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed restrictions that neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of Alberta.

Cash and Cash Equivalents

Alberta considers all unrestricted highly-liquid investments with maturities at acquisition of three months or less to be cash equivalents.

Property, Equipment and Depreciation

Property and equipment is recorded at cost. Depreciation is computed on the straight-line method, based on the estimated useful lives of the individual assets: 27.5 years for buildings, 15 years for improvements and 7 years for equipment. Depreciation was \$14,497 and \$ 14,420 for the years ended June 30, 2013 and 2012, respectively.

Improvements, additions and major replacements in excess of \$1,000 are generally capitalized, while expenditures for maintenance, repairs and routine replacements are charged to expense as incurred.



**ALBERTA STREET PRESERVATION APARTMENTS, INC,  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2013 and 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Property, Equipment and Depreciation - continued

Management reviews its property and equipment for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. Management believes no adjustments for impairment is required in the financial statement at June 30, 2013.

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Project and the tenants of the property are operating leases.

Tenant Receivables

Tenant receivables are reported at the amount management expects to collect from outstanding balances. The differences between the amount due and the amount management expects to collect is reported in the allowance for doubtful accounts. At June 30, 2013 and 2012, management expects all receivables to be collected and accordingly, has not established an allowance for doubtful accounts.

Estimates

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications were made to the prior-year financial statements in order to be comparable to the current financial statement presentation.

Income Taxes

Alberta is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Thus, no provision for income taxes is included in the accompanying statements.

Alberta adopted the provisions of FASB ASC 740-10-25, which requires management to evaluate tax positions taken and recognize a tax liability (or asset) if ALberta has taken an uncertain position that more-likely-than-not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken and has concluded that as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. Alberta is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax period in progress. In the event penalties and interest are assessed by income taxing authorities, it is management's policy to include these in operating expenses.

Alberta files form 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Oregon. Alberta is generally no longer subject to examination by Internal Revenue Service for the years before 2009.

**ALBERTA STREET PRESERVATION APARTMENTS, INC,  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2013 and 2012**

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**NOTE 2 – RESTRICTED CASH**

In accordance with the provision of the Regulatory Agreement, security deposits and cash reserves are held at federally insured financial institutions. Restricted cash and funded reserves at June 30, 2013 and 2012 are as follows:

<u>Account</u>	<u>2013</u>	<u>2012</u>
Tenant Security Deposits	\$ 4,908	\$ 5,083
Tax and Insurance Escrow	6,614	6,608
Replacement Reserve	166,471	158,786
Residual Receipts	18,945	18,928
	<hr/>	<hr/>
Total	<u>\$ 196,938</u>	<u>\$ 189,405</u>

Tenant Security Deposits – Upon moving into the project, tenants are required to deposit funds for potential damages to the property. The amounts held on deposit represent a liability until the deposit is used to pay for damages or returned to the tenant upon move-out.

Tax and insurance escrow - A tax and insurance escrow account is to be used for annual property tax and liability insurance premiums.

Replacement Reserve - The regulatory agreement with HUD requires Alberta to set aside amounts monthly for the replacement of property and other expenditures approved by HUD. The monthly set aside is \$622. Interest is required to be retained in the reserve. These funds are not generally available for day-to-day operations and may only be used with prior HUD approval.

Residual Receipts - Under the regulatory agreement, Alberta is required to deposit surplus cash as defined by HUD, to the residual receipts account annually. Interest is required to be retained in the reserve. These funds are not generally available for day-to-day operations and may only be used with prior HUD approval. At June 30, 2013, \$25,290 was required to be deposited into the residual receipts reserve account.

**NOTE 3 – RENT INCREASES**

Under the regulatory agreement, the Project may not increase rents charged to tenants without HUD approval.

**NOTE 4 – MANAGEMENT FEE**

Alberta has an agreement with the Cascade Management Company to manage the daily operations of the Project. Under the agreement Alberta pays a monthly fee of 12.92% of cash collected. During the years ended June 30, 2013 and 2012, \$15,421 and \$15,083 was incurred as management fees, respectively. The agreement was initially entered into on January 1, 2009 and renews annually.

**ALBERTA STREET PRESERVATION APARTMENTS, INC,  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2013 and 2012**

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**NOTE 5 – SECTION 8 HAP CONTRACT AND REGULATORY AGREEMENT**

Alberta has a section 8 Housing assistance payment Contract for ten units. The contract comes up for renewal annually. This contract represents approximately 25% of Alberta's total revenue. There is no guarantee of future contract renewals.

**NOTE 6 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

Alberta's most significant asset is its 24-unit apartment project. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment whereby, it is subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including but not limited to HUD.

Such regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice and/or inadequate funding to pay for complying with such a change.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

<u>Related Party</u>	<u>Purpose</u>	<u>2013</u>	<u>2012</u>
Sabin CDC	Management fee	\$ 2,812	\$ 2,812

**NOTE 8 – DESIGNATED NET ASSETS**

Board designated net assets consist of the following at June 30, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Tax and Insurance Escrow	\$ 6,614	\$ 6,608
Replacement Reserve	116,471	158,786
Residual Receipts	18,945	18,928
	<u>\$ 192,030</u>	<u>\$ 184,322</u>

**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. Alberta 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. Alberta'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 are available to be issued. Management has evaluated subsequent events through November 22, 2013, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**ALBERTA STREET APARTMENTS PRESERVATION, INC.**  
**SCHEDULES OF OPERATING EXPENSES**  
**For the year ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b><u>EXPENSES</u></b>		
Administrative:		
Occupancy Clerk	2,880	2,880
Asset management fee	2,812	2,812
Office Expenses	1,001	902
Management Fee	15,421	15,083
Manager's Salaries	14,509	14,430
Auditing Expenses	5,047	3,346
Telephone	1,031	863
Accounting	2,973	1,872
Bad debts	71	-
Miscellaneous	510	465
	<u>46,255</u>	<u>42,653</u>
Utilities:		
Electricity	1,592	1,505
Water	12,087	10,945
	<u>13,679</u>	<u>12,450</u>
Repair and Maintenance		
Payroll	11,439	14,215
Supplies and materials	5,076	3,337
Contracts	10,017	11,230
Garbage	2,699	2,524
Miscellaneous	4	81
	<u>29,235</u>	<u>31,387</u>
Taxes and Insurance		
Payroll taxes	2,713	3,016
Property and liability insurance	3,540	3,306
Worker's compensation	547	974
	<u>6,800</u>	<u>7,296</u>
Total Operating Expenses	<u><u>\$ 95,969</u></u>	<u><u>\$ 93,786</u></u>